AGRICULTURAL RELIEF

HEARING

U. S. Congress. House.

BEFORE

THE COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS

FIRST SESSION

Serial A—Part 6

APRIL 2, 1929

UNITED STATES
GOVERNMENT PRINTING OFFICE
43414 WASHINGTON : 1929

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SEVENTY-FIRST CONGRESS, FIRST SESSION

GILBERT N. HAUGEN, Iowa, *Chairman*

FRED S. PURNELL, Indiana.
THOMAS S. WILLIAMS, Illinois.
CHARLES J. THOMPSON, Ohio.
JOHN C. KETCHAM, Michigan.
THOMAS HALL, North Dakota.
HARCOURT J. PRATT, New York.
FRANKLIN W. FORT, New Jersey.
FRANKLIN MENGES, Pennsylvania.
AUGUST H. ANDRESEN, Minnesota.
CHARLES ADKINS, Illinois.
JOHN D. CLARKE, New York.
CLIFFORD R. HOPE, Kansas.
ELBERT S. BRIGHAM, Vermont.
VICTOR S. K. HOUSTON, Hawaii.

JAMES B. ASWELL, Louisiana.
DAVID H. KINCHELOE, Kentucky.
MARVIN JONES, Texas.
HAMPTON P. FULMER, South Carolina.
THOMAS A. DOYLE, Illinois.
WILLIAM W. LARSEN, Georgia.
WILLIAM L. NELSON, Missouri.

L. A. DARNELL, *Clerk*

LIBRARY OF CONGRESS
RECEIVED
APR 10 1929
DOCUMENTS DIVISION

CONTENTS

Statement of—	Page
Mr. Wm. C. Chase	485
Dr. John C. Coulter	486
Dr. W. C. Coffey	511
Mr. Robert Amory	521
Mr. C. O. Thornberry	533
Mr. E. E. Kennedy	544
Mr. Olcott F. King	553
Mr. C. E. Carnes	559

AGRICULTURAL RELIEF

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Tuesday, April 2, 1929.

The committee met at 10 o'clock a. m., Hon. Fred S. Purnell, presiding.

Mr. ASWELL. Mr. Chairman, I ask unanimous consent that Mr. William B. Chase, executive vice president of the American Chamber of Commerce, be permitted to file a statement for the record. Mr. Chase had to leave the city and wishes to file this statement.

(There was no objection, and the statement referred to is as follows:)

WASHINGTON, D. C., *April 1, 1929.*

The COMMITTEE ON AGRICULTURE,
House of Representatives,
Washington, D. C.

GENTLEMEN: Representing the American Chamber of Agriculture, an organization created at first agricultural congress of landlord farmers and business executives of the Southern, Southeastern, and Southwestern States, held at Atlanta, Ga., on January 30 and 31, 1929, and in which creation, officers and committees were chosen and elected, I have the honor as executive officer, presiding, of said organization, to appear before your committee in session, for which distinguished privilege, I beg to express personally, officially, and in behalf of my associates, in the work undertaken by the Chamber of Agriculture, their appreciation.

The American Chamber of Agriculture, being built up along lines followed by chambers of agriculture to a degree, and more especially following the practices of clearing house service, most respectfully tenders its services through your committee, to the President of the United States and the Congress soon to convene, for the purpose of endeavoring to render Federal aid to the Nation's agricultural industry, farming, and farm-life affairs; and the chamber asks the privilege, of making three suggestions as a token of its desire to aid as above:

1. That your committee accept our unqualified approval and indorsement of the plans, etc., set forth before your committee by Col. B. F. Yoakum, of New York.

2. That a farm board be chosen from among recognized business men and farmers of established success in a large way.

3. That the chamber of agriculture urges the creation of separate commodity marketing boards, carefully chosen, to confer and act in conjunction with the farm board.

Respectfully submitted.

WM. C. CHASE,
Executive Vice President American Chamber of Agriculture.

Mr. ANDRESEN. Mr. Chairman, I request that Doctor Coulter, of North Dakota, be permitted to testify at this time.

STATEMENT OF DR. JOHN L. COULTER, PRESIDENT STATE AGRICULTURAL COLLEGE OF NORTH DAKOTA

Doctor COULTER. Mr. Chairman and gentlemen of the committee, at the present time, although I am serving as president of the State Agricultural College of North Dakota, professionally, I have during my entire life been a farmer. I was born and reared on a farm and continue to operate at the present time my farm of several hundred acres of land. Therefore, I am personally interested in whatever Congress may do, because in the matter of a few years, if the farmers themselves do not do something or the Government does not do something, I will find myself superannuated and turned out of 1,000 acres of good land because it will not carry the load much longer. Therefore, as a farmer I am more interested than I am as the president of a college.

Because of the problem involved, some time ago we in the Northwestern States organized what is known as the Northwest Agricultural Foundation, covering the States of Minnesota, North and South Dakota, and Montana, this being the group of spring-wheat States. We had this winter to make some real studies of the agricultural situation. Unfortunately, I am at the present time serving also as president of that organization, and therefor I am speaking, more or less, the sentiment of all of us, at least, who have been studying these problems. Our investigation showed quite clearly that the real problem of agriculture is the problem of the surplus. Now, of course, there is nothing new or strange about that statement—that is, as we studied it, but the surplus that is causing the distress is not the surplus which Congress and the country has been talking about for the last six or eight years. In other words, we are convinced that we have all been shooting at the wrong bird. The surplus which is troubling us is the surplus produced in other countries, with low land values, peasant or serf labor, no taxes, practically, and low, or almost no transportation charges. It is the dumping of that surplus on our market that is causing us the distress. Now, we have been talking in this country for six or eight years almost exclusively about the little surplus we have in wheat in North Dakota, cotton in Texas, or pork in Iowa, while all of this time we have been permitting hundreds of millions of dollars worth of substitute foods and other substitutes, textiles, clothing, hides, oils, and a multitude of other materials to be dumped in to steal the domestic market from our own farmers.

Now, note that this group of surpluses is produced on cheap land. Some of us, in the course of our investigation, have traveled over some twenty-odd countries in this period of time in which we have been seriously going into this thing. We have traveled tens of thousands of miles in studying this situation, and, as I have said, we have traveled in twenty-odd countries studying the actual conditions and situations there. We found that we were permitting these hundreds of millions of dollars' worth of products from cheap land, with almost no values attached to them, with low labor costs, with almost no wage, with peasant living conditions, where the farmers may live on a handful of rice or something else, with no taxes, practically, to be dumped on our markets. There are no taxes, prac-

tically, in those countries, because they are countries that have practically no schools and no expenditures for roads or for expensive forms of government. They have almost no taxes; and those are countries where they can produce this stuff at a cost so low that we could not compete with it. Yet we have permitted that to be dumped into this country. Those are the surpluses which are causing our distress. Now, the result is that our people are consuming those substitutes, and that is what is leaving on our hands this so-called American surplus. Now, I think that you people will say that if in some manner we can reduce or eliminate some of that surplus, then we can deal with our domestic surplus very readily and in a very much simpler manner than we have been talking about during the last six or eight years.

To illustrate the thing a little more specifically, not so long ago we in this country did our cooking with our own home-produced lard, and that gave a market for our home-produced hogs and home-produced corn. Now we have quit using lard because it is too expensive, and we are importing hundreds of millions of dollars' worth of substitute oils and fats. That is the only reason for the surplus problem in lard. We are exporting now 700,000,000 pounds of lard and dumping it in some European countries because we have no home market for it. Now, to subsidize the product on the home market does not solve the problem. The only way to solve the problem is to find some way of coordinating, eliminating, or controlling these other surpluses which are dumped into our markets, causing us to have six or seven hundred million pounds of surplus. Now, some of us who have been studying this problem think that the starting point is to balance our own agriculture. In our last completed fiscal year we exported about $250,000,000 of livestock and livestock products. Well, evidently we had a surplus, did we not, because $250,000,000 worth of livestock and livestock products were exported. We exported it, and therefore it goes without saying that we had a surplus. We simply put on the world market ham, bacon, pork, and so forth to that amount, and that world market upset our own market, of course.

That is what we have been saying for seven years, and it is true. But during that same period we imported $260,000,000 worth of livestock and livestock products. In other words, our imports were greater than our exports. If we had an arrangement whereby we could penalize imports, we need not have had these exports of livestock and livestock products. Had that been true, then the world market would not have upset our market for livestock and livestock products. In the matter of butter we were protected, but in livestock and other livestock products we imported more than we exported. Now, in addition to that may I say that we imported also $150,000,000 worth of substitute oils and fats, which, if we added them to the imports of livestock and livestock products, would bring our imports to over $400,000,000 in amount. I am referring now to oils and fats—vegetable and animal oils and fats—and livestock products. Therefore, we are at the present time using in our home market $400,000,000 worth of livestock and livestock products and substitutes in the form of vegetable and animal oils and fats, while we are exporting only $250,000,000 worth. Therefore, if we would only protect our-

selves, there is no reason why we should have any surplus at all, and we would still be on the importing basis to the extent of $150,000,000 a year. The world market need not be the determining factor, so far as setting the price to us is concerned.

Now, just one step further: Livestock is based on grain and feed, and we might be exporting livestock and importing feed, or vice versa. As a matter of fact, while we have been talking about a surplus of wheat and corn, we have been importing substitutes for wheat and corn. In the last fiscal year I believe we imported enough molasses, grown by peasant or serf labor on cheap land—we imported enough of that to make industrial alcohol to destroy the market for 40,000,000 bushels of corn. Now, why talk about surplus corn or a surplus of 40,000,000 bushels of corn, when we had a domestic market for it, if we had only had sense enough to use it. We could in that way eliminate the surplus. We imported some 27,000,000 pounds of starch, and here we are suffering for a market for our potatoes. I have 3,000 bushels of potatoes now in my basement, and I will have to spend some money to haul them out on the ground to use them for fertilizer, so that I can have more potatoes next year. That is the condition, while we continue to import 27,000,000 pounds of starch. It is the world surplus that is dumped on our market that is causing our surplus. We are importing casein and molasses produced from cheap lands, and a multitude of other things. I suppose all of us fancied our little dinner last evening very much, because we had some nice Bermuda potatoes. They were creamed beautifully.

Now, I have 3,000 bushels of potatoes in my basement. Last week the boys hauled a wagonload to market, but they could only get 12 cents a bushel for them. I said that it was too far to haul them for that price, but, at the same time, we are importing potatoes on our market here from Bermuda. We have imported them here this week. That is what produces the surplus. Now, if we are going to bring in and use entirely vegetable oils and fats, and are going to import all of these substitutes that I have referred to, and then turn around and try to subsidize our farmers for their surplus, and try to dump this stuff on some other world market, we will absolutely not get anywhere. I realize very well that you may very naturally say that "this darned cuss should have been over before the Ways and Means Committee," but I believe that the Agricultural Committee, which is bound to the task of proposing and seeing to it that something is done for agriculture, is interested in this thing, aside from the question of raising revenue for the support of the National Government. I think that this committee is interested in seeing that we eliminate this surplus from the outside which is being dumped into our market, thereby causing our own surplus. If it is not taken up from that angle, we will not get anywhere. That is the reason I wanted to have about 5 or 10 minutes before this Agricultural Committee rather than before the Ways and Means Committee.

We are importing to-day the equivalent of 2,000,000 acres of corn in the form of molasses and other corn substitutes, and we are importing the equivalent of 3,000,000 acres of flaxseed. We are importing the equivalent of 1,000,000 acres of feed for poultry, and eggs. We are at the same time importing eggs by the 10,000,000 dozens from China, Siberia, and Russia. At Christmas time we are importing boatloads of turkeys and frozen fowls. We are importing

the equivalent of 3,000,000 or 4,000,000 acres in livestock and livestock products, while we are importing 2,000,000 or 3,000,000 acres in other vegetable oils and fats. In other words, altogether we are importing the equivalent of some 10,000,000 to 15,000,000 acres of farm products, and therefore we have the surplus from those 10,000,000 to 15,000,000 acres.

Gentlemen, this is just as practical a proposition as anything can be. It is just as practical as anything can be to eliminate this surplus from the American market if we would only go about it. I say very frankly that if we are going to live in this country we must eliminate this surplus of cheap foods produced by peasant labor on cheap lands from our markets. We must stop the importation of those products from other countries. Unless that is done you can not save American agriculture by any scheme of equalization fees, debenture bonds, or bonuses, or anything of that sort. I do not think that will be possible at all. We just positively can not compete with that sort of thing. We can not compete with those products coming from countries abroad. We can not compete with them if we have our farmers on a basis where they can send their children to school, provide them with suitable clothing, with radios, victrolas, telephones in the home, or bring them up to the standard on which American citizens generally are living. There is no other possible way of protecting our agriculture except to get control of this competition.

Now, I will say one other thing: I have never, publicly or otherwise, expressed any support for either the equalization-fee proposal or the debenture proposal. It is not necessary that I should, because I am only one of 120,000,000 people, and a lot of people have never expressed themselves on those questions; but because I happen to be actively engaged in farming and trained somewhat as an economist in this business a lot of people have asked why. I will say at this time that it is for this reason that we have just reached the first time since this great deflation took place when there was any chance in the world for Congress or this Government to do anything. I knew that from many conversations with our former President. I knew that there was no use in going out and hammering the thing around. This is why I thought there was no use in supporting either of such plans. But if you and I really want to take care of this domestic surplus proposition the simple way to do it, without setting up any complicated scheme with administrative officers and a bureaucracy to handle it, is to extend the principle of the drawback feature of the tariff act. I said a moment ago that we were importing $400,000,000 worth of livestock and livestock products and substitutes of vegetable and animal oils to take the place of lard. Now, if there were a tariff on those articles and a drawback receipt were issued when they were brought in, and a reimbursement made when other livestock products were exported, we would have a big balance in our favor that would compensate the surplus producer in proportion to the dumping of similar material from other countries. I grant you that at the present time we have a manufacturing drawback provision under which, if you import wheat, you must export the wheat in another form. You export that specific wheat that you imported, after adding domestic wheat to it, and get a drawback of 99 per cent on the flour. Other simple illustrations could be given of it. You can not negotiate

that and have one man to import and another man to export your flour. You could accomplish this whole thing automatically without setting up a comprehensive scheme of machinery.

Now, I am one of those who make a part of my living by working for the Government. Therefore I am one of those 12 out of 100 who are on a public pay roll. Naturally, I do not want to see any more added taxes than are absolutely necessary, because the tax burden is too heavy now. Therefore I am opposed to building up any more machinery than necessary, especially since a simple method could be provided to take care of all the surplus we have. I do believe, however, that it is absolutely necessary to set up a guiding board for agriculture. The Department of Agriculture can not do this. The Federal farm board should give guidance in all parts of the country.

I, farming up in North Dakota, may slip because I do not know what they are doing in Texas or Louisiana. For instance, I did not know that many of my friends down in Louisiana were going out of the sugar-cane business and were going into the potato business. Therefore I continued to grow potatoes without that information. Now, their potatoes were ready for the market ahead of mine, so that when the time came for me to market my potatoes there was no market for them. The national board, which could use the council that is proposed, could see the whole set-up of agriculture in the United States and outside of it and advise with us in regard to the balancing of agriculture, and that would be worth hundreds of millions of dollars, and, perhaps, billions of dollars, to the people of this country. I do not believe that by merely devising this board you would accomplish all of the results desired, and, therefore, I think that in setting up a Federal farm board it would be necessary to give it quite comprehensive powers, both in the matter of advisory councils in the production field and in the organization of the marketing of farm produce. However, you have had before you so many others who are actively engaged in the organization of cooperatives and in marketing societies that for me to elaborate on that subject would be merely consuming your time. Undoubtedly, such a board, with power to grant charters and aid in financing stabilization corporations, could tremendously stabilize the marketing as well as the production end of it.

It is a glut in the market that frequently knocks the bottom out of it. However, I will not go into further details on that subject, except to say that, unquestionably, such a board, with such powers, could tremendously aid in the stabilization of our markets. In that connection, however, I would find myself at very great odds with most of those, I think, who have appeared before you representing cooperative organizations in one detail. I personally think that the Government should have faith in the cooperatives and that the cooperatives should have faith in the Government. Now, the suggestions which have been made by many, that the councils making up the various groups shall be nominated by the cooperatives, or actually named by the cooperatives, are assuming that the Government is not to be trusted. Personally, I think that if the Government is going to put millions of dollars into stabilization corporations, as I am willing it shall do, it should have control. I have a

couple of hundred thousand dollars that I will either hold on to or lose on my farming operations in the course of time, but I will trust the Government, or else we will all go down together. I belong to cooperatives and I trust my cooperative officers.

I am not an officer in a cooperative, but I will say that if we can not trust the Government to select the farm board and councils wisely, then we had better not legislate at all. I grant you that that will put me in hot water with some of my cooperative friends, but, despite my friendly feeling for them, I must speak frankly and say how I feel about it. That is why I speak this way about it. I, myself, was largely responsible for, and, in fact, made the first draft of, the original Federal farm loan act. I had been with the Roosevelt Rural Life Commission, and I spent months in studying rural credits and conditions throughout the world. I made the first draft of that act, and thought that the whole thing should be put in the hands of the farmer, as was advocated at that time. I worked, in fact, in every possible way to give that control to the farmer, because he was the man who was to borrow the money. At the present time, most of my cooperative friends are complaining that the management has drifted into the hands, they say, of Wall Street, but I say of the Government. Well, it is a godsend that it has, because our farmers, spurred on by the same excitement of the war that stirred everyone else, allowed their lands to be valued at higher and higher and higher levels. I did myself—land that before the war would not sell for more than $50. At the height of war fever I cabled from France to my folks saying, "Don't sell," when they were offered $140 an acre for that land; so inflated did we permit lands to become. Like a fool I refused to sell it.

Now, if the farmers had owned and controlled the boards of the Federal farm loan system, wouldn't your bondholders be in a heck of a fix? Where are they going to borrow the money? I would not put the management in the hands of the bondholders nor would I put it in the hands of the farmers. The Government is the body that must aid in the stabilization of this enterprise, and I am willing to trust the Government to establish the right kind of boards.

That, briefly, then—without, as I say, going into the details of a Federal farm board or the stabilization corporation—is where I would stand. I would say, by all means do everything you possibly can to eliminate this surplus from the other countries, or to control it, or, if you can not eliminate it, then apply, if you will, the drawback feature by modified rule to take care of our surpluses and create a strong board, with reasonably liberal powers, so that it may in fact aid in the reorganization of our production as well as distribution and marketing.

Mr. ASWELL. How many members of the farm board would you recommend?

Doctor COULTER. That is always just a matter of general judgment. I think if you get over seven you are getting too many, because they will spend their time wrangling and talking and debating; and if you get under three or four, you have not enough to get a good balanced judgment.

Mr. ASWELL. What salary would you pay them?

Doctor COULTER. The way costs of living have gone up in Washington—I used to live here, but I had to get out of town—you men

know yourselves that you are making sacrifices when you come here to serve at anything less than $10,000 or $12,000; that is, men of ability.

Mr. ASWELL. Would $15,000 be too much?

Doctor COULTER. It would not be too much, but you might be able to get men qualified to serve at a little less, as you do.

Mr. ASWELL. Would you have advisory boards to select the Federal board, or recommend the appointments?

Doctor COULTER. Oh, I am going to trust the Government. If a man does a rotten job, we will throw him out and put someone else in.

Mr. ASWELL. Would you recommend an advisory council among the farmers?

Doctor COULTER. Yes; I think there ought to be advisory councils, but I would give the board very substantial powers in the actual selection of them.

Mr. ASWELL. What would you want of an advisory council if you give all the authority to the board?

Doctor COULTER. I mean authority to the board to select and get them together and organize them. The advisory council would bring in the experiences of the different areas. Take the case of wheat. We think of wheat as one thing, but wheat is several things. There is durum wheat, which is used for macaroni and spaghetti and noodles. It is altogether different from spring wheat, hard winter wheat, and the soft wheats. They are as different as the Spanish crabapple is from Starke's Delicious. One man talking about wheat may be talking about one thing, and another man talking about wheat may be thinking of an entirely different thing.

Mr. ASWELL. About seven-eighth of the evidence brought here, and of the agitation and excitement for the last six years, have been on the subject of wheat.

Doctor COULTER. Yes.

Mr. ASWELL. We heard some excellent speeches last night, and they proved conclusively to my mind that wheat is a small factor in this whole job.

Doctor COULTER. It is; and we can eliminate the surplus of wheat if we can do some of these other things.

Mr. ASWELL. According to the gentleman last night, we do not need Government aid to eliminate the surplus of wheat; it will eliminate itself.

Doctor COULTER. We are rapidly moving in that direction, I think.

Mr. ASWELL. Has that been your own experience?

Doctor COULTER. Oh, I have had to cut out wheat practically entirely. I did not want to lose the old home farm.

Mr. ASWELL. That is all.

Mr. KETCHAM. Doctor Coulter, referring to this drawback proposition, have you worked that out in considerable detail in your own mind?

Doctor COULTER. Yes, sir.

Mr. KETCHAM. You think there are no legislative difficulties in the way of enlarging the scope of that drawback so that it might accomplish exactly what you have outlined here?

Doctor COULTER. I can not find any, and I have watched tariffs. I traveled Europe all during 1913, when the change in the tariff

was going on, studying the tariff acts, and I have studied them ever since. I can see no difficulty.

Mr. KETCHAM. I want the gentleman at the other end of the table to hear what you said with reference to that question. The question was not so much, but the answer was a very vital thing in this consideration. Do you think there are any difficulties in the way of enlarging the drawback principle so that by its application we might accomplish what we desire in the way of advancing the sale or increasing the production of our own fats and oils and shutting out the others?

Doctor COULTER. I see absolutely no reason why, if the drawback is practical in one case, it is not practical in the other, and by just slight modifications I see absolutely no reason why it could not be applied as a national policy, if you are going to import and use a vegetable oil instead of an animal fat, for instance, or a tropical fruit instead of potatoes or wheat. We have reduced the consumption of wheat flour per capita in the United States in the last 10 or 15 years 1 bushel. We have reduced our consumption, therefore, 117,000,000 bushels. We have 117,000,000 bushels more surplus. Now, the only reason we have reduced our consumption of wheat is that we are eating this other stuff. We are eating grapefruit salads and tropical fruits and vegetables, and we have introduced refrigeration so that we can have strawberries the year round.

Now, if we are going to live on the tropical fruits and refrigeration and cheap water transportation and imported products, we have cut our consumption of potatoes. The ladies not only have the boyish bob, but also the boyish, slender figure. They have quit eating potatoes, because there is starch in them, and they are eating salads, vegetables, and fruits instead. Now, I can not see why, if you are going to live on those, we should not apply the drawback principle, and when we import one product, permit the export of the other, and let your drawback apply, and make agriculture self-supporting.

Mr. KETCHAM. Do you know, Doctor—and, if you do know, can you refer us to—any discussion of that question that has been put in print, any elaboration of that principle that would enable the members of this committee, in contemplation of the legislation we have in mind, to study it, even in the brief time that we shall have? Could you make any reference?

Doctor COULTER. I have never seen anything in print on it, and I have not said anything myself, because I knew if I did that all of my McNary-Haugen friends and other friends would jump on me and say that I was just trying to mess up the situation by proposing another substitute, and I was too busy doing other things.

Mr. KETCHAM. May I ask another question, then? If you have not seen anything and you can not refer us to anything, and yet you do believe in the absolute validity of it, and you see no legislative difficulties in the way, can you within the next two or three days elaborate that idea?

Doctor COULTER. Yes, sir.

Mr. KETCHAM. I would be very glad if you would do that.

Mr. CLARKE. And put it in the record.

Mr. KETCHAM. That is the best suggestion that I have heard in a long, long time, from my way of thinking. Of course, very naturally,

I would be inclined that way, because it is an application of the debenture plan which I have heretofore supported.

Doctor COULTER. Of course, the whole point is that we are importing $844,000,000 worth of food and food products. That does not include jute, hemp, hides, skins, coffee, tea, cocoa, and all the nonfoodstuffs; $844,000,000 a year to take the place of $800,000,000 of our own stuff.

Mr. KETCHAM. Congressman Selvig, of Minnesota, has put this whole question into one little sentence. I do not know whether he is the author of it, but he is the one who has given it publicity, at least down here. He says, "We are importing our surpluses."

Doctor COULTER. That is exactly what we are doing.

Mr. KETCHAM. Your discussion this morning elaborates that idea?

Doctor COULTER. Yes.

Mr. KETCHAM. You believe, then, that as a principle we could proceed upon that idea?

Doctor COULTER. Absolutely.

Mr. KETCHAM. That is all.

Mr. LARSEN. Doctor, I have been very much interested in your statement, and I can see that as to by-products of cotton, for example, there are a great many products that are imported into the United States that interfere with farm products; for instance, the fats and oils coming in competition with the cottonseed. How would you handle these products, and how would it be possible to take care of this situation as you have described it? I realize that you are some distance from the cotton area.

Doctor COULTER. Your State is——

Mr. LARSEN. Georgia.

Doctor COULTER. I grow more cotton than I do wheat.

Mr. LARSEN. Good.

Doctor COULTER. It happens that my good wife is a southern planter's daughter, and we have the old home farm down there.

Mr. LARSEN. What do we import, then, that comes into competition with cotton?

Doctor COULTER. I would put all the fibers together; because silk, linen, rayon, cotton, and wool are substitutes. Now, we are importing 250,000,000 pounds of wool, are we not, and collecting a big tariff on that; millions of pounds of jute and hemp; millions of dollars' worth of silk and linen. I would just put the fibers together.

Mr. LARSEN. Can you stop the women from purchasing them?

Doctor COULTER. No.

Mr. LARSEN. Regardless of the fact that you put the tariff on?

Doctor COULTER. No. I would not try.

Mr. LARSEN. But you will automatically raise the price of cotton?

Doctor COULTER. Yes, sir.

Mr. LARSEN. That is just the point I wanted to get into the record.

Doctor COULTER. That is to protect the domestic article and the domestic fiber; and then, if they want to use silk, rayon, or something else, let them use it. They pay the bills, and pay them willingly.

Mr. LARSEN. My colleague, Mr. Ketcham, has requested that you enlarge your remarks to cover all those points, and I would deeply appreciate it if you would also take into consideration that staple known as cotton, and show in a practical way just how that can be

covered under your idea; because if you can solve that—and it seems to me that your suggestions are exceptionally good—it will mean a good deal to us in the Cotton Belt.

That is all, Mr. Chairman.

Mr. NELSON. Doctor Coulter, you spoke of the exports of meat and meat products, and the imports, I believe, of similar products. Do you hold that it would be desirable neither to export nor import meat or meat products?

Doctor COULTER. Oh, no. I am not in favor of any embargo plan, but I would make the public pay the adjustment. That is, if they prefer to import one kind of meat from another country, thus leaving a surplus, we will say, of pork in Iowa, I would just make them pay a little more for that imported product and balance it back to the domestic producer, so as to preserve agriculture in this Nation.

Now, we are all for peace, and all that; but other countries get into wars with each other. They start blowing up boats. There are diseases in other countries; for instance, foot and mouth disease. There are embargoes; there are boycotts. All sorts of difficulties may arise, and if our country of 100,000,000 people does not maintain its agriculture on a safe basis so that when some other country gets into trouble—we are only 6,000,000 out of 2,000,000,000 folks, and we have got to see that we do maintain agriculture, including my farm.

Mr. NELSON. I am glad to have that explanation. I gained the impression from your original statement you felt that it was unfortunate that we were exporting $260,000,000 worth each year of meat and meat products, and at the same time bringing in other meat and meat products.

Doctor COULTER. No; but I would balance it up.

Mr. NELSON. You would continue this exchange of food products?

Doctor COULTER. If the market, on this adjusted basis, continued to bring in those products and take them out, yes; but in the meantime I would be preserving our American agriculture, so that in time of weather difficulties or disease difficulties in other countries, or distress, or war, revolution, boycott, or anything else, this country would be safe.

Mr. NELSON. What, principally, are the meat products that we bring in from other countries?

Doctor COULTER. Both meat and meat products. Last year we imported 500,000 head of live cattle, 100,000,000 pounds of beef and veal in various forms, and some mutton and lamb.

Mr. NELSON. From where do these live cattle come?

Doctor COULTER. Canada and Mexico.

Mr. NELSON. Where were they finished?

Doctor COULTER. In various parts of the United States. Some of the western Canadian cattle were finished down here in Pennsylvania; as far east as that.

Mr. NELSON. They consumed American farm produce?

Doctor COULTER. Yes; and they would still be produced in this country if they were not imported, and would still consume more American farm produce.

Mr. NELSON. What do you think of the plan of the Government pushing the reindeer business in Alaska, and the talk of reindeer meat for the American Army?

Doctor COULTER. I do not think it will amount to much.

Mr. NELSON. Do you think it is a good plan?

Doctor COULTER. Well, it is like adding more irrigation when you do not need any more land at the present time. It is a good sporting proposition, but I would not push that just as a sporting proposition, until we get the rest of agriculture on a little better basis.

Mr. NELSON. You think it would be much more desirable to let the American cattle grower furnish the meat?

Doctor COULTER. Let it take its course. If something else develops, all right; but to go out and make a big hullabaloo, so that every hotel and dining car feels that they ought to have it on the menu in order not to offend somebody who is sponsoring it, is just injuring the trade.

Mr. NELSON. It is more fad than fact, is it not?

Doctor COULTER. I think it is more fad than fact. But still there is all the excitement of it. Everyone wants to try it a time or two, to see if he can detect any difference.

Mr. NELSON. You spoke of the decreased consumption of certain staple-food products. Is a part of that due to the teachings of the World War period, when we were taught to "Hooverize" and substitute? Are we still suffering from that?

Doctor COULTER. No; I think we just naturally like the delicacies; the flavors and the tastes.

Mr. NELSON. Is that due in part to the changed character of American life?

Doctor COULTER. To the changed character, and then the development of refrigeration and modern science. You see, we can get strawberries now 12 months in the year, and all other kinds of fruits and vegetables, and we can only eat a certain amount without getting excessively large in front; and you know it does not taste good, day in and day out, three meals a day, to eat just salt pork, mashed potatoes, and bread with a little gravy on it. You like diversity.

Mr. NELSON. You spoke of no longer growing wheat on your acreage. What have you substituted for wheat?

Doctor COULTER. I am growing a little wheat only in connection with the other crops. I have now 80 acres of sugar beets, quite a little potatoes, alfalfa, and sweet clover, and a flock of 150 sheep and 30 or 40 milk cows. But now, instead of getting 9 bushels of wheat, as I did in 1925, in 1928 I had 36 bushels of wheat.

Mr. NELSON. Due largely to rotation?

Doctor COULTER. Entirely, I think. That is, this wheat this time was after sweet clover, and sheep, and sugar beets, and it was really worth while growing.

Mr. NELSON. Thank you, Doctor Coulter.

Doctor COULTER. But I only had 40 acres instead of 400.

Mr. MENGES. Doctor, I notice you said that we import a considerable amount of beef and animal products.

Doctor COULTER. Yes, sir.

Mr. MENGES. And then we also export——

Doctor COULTER. Yes, sir.

Mr. MENGES. The same kind of products?

Doctor COULTER. I did not say the same kind. That is, we export largely pork.

Mr. MENGES. But we export meats?

Doctor COULTER. Yes, sir; meats.

Mr. MENGES. Don't you think there ought to be some way of preventing that?

Doctor COULTER. No; but I would make it attractive not to do it, by putting a little more tariff on the beef and other animal products, and letting the exporter of the pork then draw back the tariff paid in.

Mr. MENGES. Do you not think, Doctor, in advocating the export debenture plan—I am in favor of anything that will work which is straight and honest; not that the debenture plan is not—but do you not think that the man who imports this material and draws the debenture will put it in his pocket and keep it, and not let it get back to the man to whom it ought to go?

Doctor COULTER. No, sir. The experience in all of such things is that if you make those instruments negotiable there will be such an effort on the part of exporters to get hold of those drawback receipts, and the pork to ship, that the competition will build it up and force the whole domestic price with it. I will take my chance on that, at least, as a farmer.

Mr. MENGES. The difficulty is that it looks to me as if it were not going to be reflected back to the man who ought to have it.

Doctor COULTER. It is in every other similar case.

Mr. MENGES. Unless there is some method of making it or compelling it to go to him it will not go there.

Doctor COULTER. Well, I am sure it is in every other similar case. The competition there is vigorous enough, both for the drawback receipts and for the stuff to reexport, so that it will put the price up all right.

Mr. MENGES. Would that put the disposition of the agricultural product into the hands of the man who produces it?

Doctor COULTER. It will if he will organize his marketing societies; and that is why I say that in addition you must have a Federal farm board, with the possibility of forming stabilization corporations and aiding the cooperative organizations, so as to put it in his hands to move the stuff if necessary.

Mr. MENGES. You gentlemen have so much difficulty about the surplus. It never annoys me much, because I think it is a safety proposition. Do you think that the surplus can be controlled by anybody but the fellow who produces it?

Doctor COULTER. Which surplus are you talking about now; the surplus from other countries?

Mr. MENGES. The agricultural surplus of this country.

Doctor COULTER. I mean, is it the surplus from other countries that is being dumped in here?

Mr. MENGES. The surplus in this country.

Doctor COULTER. Of course, what I am getting at is to largely eliminate that. My point is that we are importing our surplus.

Mr. MENGES. Yes; I notice that.

Doctor COULTER. And the Government is the only one that can do that. None of our farmers can do a thing about that.

Mr. MENGES. Then you think it ought to be put into the hands of the Government entirely, and taken out of the hands of the fellow who produces it?

Doctor COULTER. No. I would have a Federal farm board to guide and direct and advise, and I would leave it to cooperatives and stabilization corporations to do the actual work.

Mr. MENGES. I see you are not going to say yes or no.

Doctor COULTER. I can not to that question.

Mr. MENGES. That is all.

Mr. ANDRESEN. Doctor Coulter, you are familiar with the bounty of 6 cents a pound which the Australian Government paid on butter about six months ago?

Doctor COULTER. Yes.

Mr. ANDRESEN. Do you know whether or not that 6 cents a pound was reflected back to the dairy farmer in Australia?

Doctor COULTER. I understood so.

Mr. ANDRESEN. In your travels and your study of the farm problem throughout the world, did you come into contact with any proposition where countries were paying bounties on exports?

Doctor COULTER. Well, practically the same thing. You do not have to go back a hundred years to find where the State of Massachusetts was paying a bounty for every bushel of wheat that was grown and exported from the State of Massachusetts. Any farmer in the State of Massachusetts who would grow a bushel of wheat, take it down to the wharf and deliver it to a boat or a warehouse, got a receipt when he sold it, and took his receipt back and got a bounty on it. Connecticut did the same thing. They were trying to continue to grow wheat in New England when the Genesee Valley and the Mohawk and the western reserve were opening up. England does it at the present time with her beets. They are trying to grow sugar beets in England. Dozens of countries are doing that thing. We have done it. Our States have done it, just the same as we pay bounties for killing crows and gophers. But it has never been worked out into a system.

Mr. ANDRESEN. That is all.

Mr. ADKINS. Doctor, I believe you state that you have been participating in your local cooperatives and other marketing agencies in your own community where your farm is located.

Doctor COULTER. Yes, sir.

Mr. ADKINS. I think you have made the most sensible and practical suggestion that has been made before this committee. Now, on the drawback or debenture idea, it would be necessary to develop our cooperative marketing so that it would be virtually in control of the marketing before it could be very successfully worked out, would it not?

Doctor COULTER. I think so; yes. That is why I am anxious for a good effort to be made.

Mr. ADKINS. That is my notion about it. I have put a statement in the record here, some time ago, that if the debenture or drawback plan would keep that as it is managed now, with the agencies intervening between the producer and the man who actually buys, or the exporter, it would be very hard to work it out until we got to the point where we could control the marketing ourselves.

Again you spoke of the importation of blackstrap and all these other things. We have been fed up for 25 years out there, as you know, on making an effort to market cooperatively on the efficiency of the big business man.

Doctor COULTER. Yes.

Mr. ADKINS. Now, all these things that are coming in—your blackstrap, your bananas, your vegetable oil, and your beef and farm products from South America—have all been worked out by the shrewed business man in America to the detriment of the farmer, have they not?

Doctor COULTER. Surely. Of course, he is doing it not to hurt the farmer, but to make money himself.

Mr. ADKINS. To make money himself; yes. Take blackstrap, for example. When you and I were boys, brown sugar was the staple sugar that our mothers spread on our bread, and dietitians tell us that that is better than refined sugar.

Doctor COULTER. Yes.

Mr. ADKINS. The residue from brown sugar was New Orleans molasses, was it not?

Doctor COULTER. Yes, sir.

Mr. ADKINS. Wholesome molasses?

Doctor COULTER. Yes.

Mr. ADKINS. Now, our dietitians tell us that this refined sugar is not so healthful as brown sugar, the residue from the refineries. This blackstrap is shipped in here and used to make industrial alcohol, taking the place of grain alcohol.

Doctor COULTER. Yes.

Mr. A Yes.

Mr. ADKINS. Another thing; It is fair for the farmers of the country to presume, is it not, that tariffs against Argentine beef and Argentine corn would not be particularly urged by our shrewd business men and manufacturers who ship their exports there; and naturally those farmers want to ship their beef and corn here, do they not? It makes for a little conflict between the two countries.

Doctor COULTER. Yes; but on that point I think we need have no feeling of distress. I have personally visited 20 or 30 countries, and have spent many, many months in foreign countries, studying agriculture. Just let me give you one illustration.

We have at the present time 2,000,000 acres of land in wheat in North Dakota, of surplus, and with 12½ bushels to the acre that is 25,000,000 bushels. We do not know what to do with it, so we ship it over to Holland, and for that 25,000,000 bushels we get $25,000,000. At the same time, when we get that $25,000,000 as far as New York—it never gets west of that—we turn around and send it down to Argentina. Now, that money can still take the same course, but we send that $25,000,000 down to Argentine and get 10,000,000 or 12,000,000 bushels of flaxseed and bring it up to Edgewater and crush it and make our oil, varnish, and paint.

Now, isn't it nonsense for us to be producing that 2,000,000 acres of surplus wheat, ruining our soil, dumping it in the world's market, depressing the world's market and our own, and setting the price of all of our own wheat, just to bring $25,000,000 to New York to send down to Argentina and to get some flaxseed? Just a slight adjustment in the tariff there will result in our eliminating 2,000,000 acres more of wheat and producing 2,000,000 acres more of flax. Then, when New York wants the flax, they will come out there and get it. We will ship it down the Great Lakes and it will be crushed in our own country. Now, Argentine is not suffering any. She will merely

produce 2,000,000 acres of wheat and send it to Holland. We will produce 2,000,000 acres less of wheat; she will produce 2,000,000 more of wheat.

The same $25,000,000 will make the same circle. I have talked to these producers in several of these other countries and neither they nor I can see why that should cause any unpleasantness, diplomatic, or otherwise.

Mr. ADKINS. That is not quite the point that I am getting at. I understand that all right, but since the present tariff law has been pending, you know the newspapers have been commenting quite a good deal about the dissatisfaction in Argentine and in Canada about putting a tariff on farm products.

The thought that came to my mind—and I am not going to ask you to commit yourself on that—is this: If the manufacturer and the fellow interested in shipping abroad is not stimulating that sort of a sentiment, he is at least pleased with it, because if it is true that they resent a tariff on beef, for instance—the embargo because of the foot-and-mouth disease is the only thing that is saving our hides, now, as you and I know—at least it is to his advantage. Therefore those fellows keep the tariff off of all the farm products they can ship in because they ship more of their manufactured products—although they are not much of a manufacturing country as yet. So that in the working out of all this that you have described, the coming in here and putting us out of business, and so forth, the actual producer in the Tropics, the producer of bananas, the producer of vegetable oils in the Philippines, the fellow that does the actual work on the plantations in Argentine, the actual producer on the farm, does not get very much out of that.

Doctor COULTER. No.

Mr. ADKINS. It is the American business man that is exploiting them to our disadvantage.

Mr. CLARKE. I would like to ask a question or two of the doctor. Doctor, you brought out very clearly, to me at least, that the surplus that we have been talking about has created confusion in our minds as to whether after all it is our surplus or a foreign surplus. I was wondering if you could not, in response to Congressman Larsen's question, set out in some detail the fact as you have them in your mind, and as you have obtained them from your extensive traveling, as to exactly how that surplus is arrived at.

Doctor COULTER. The surplus causing the direct distress is our own surplus; but it in turn is purely the result of the dumping of the surpluses of other countries.

I would list among the illustrations two or three million acres of flax (seed); two or three million acres of sugar; a couple of million acres of corn, through the molasses route; a million acres of potatoes, through the starches and tapiocas and sagos, and so forth; 1,000,000 acres or more of feed crops, through poultry and eggs; two or three million acres through the imported cattle, beef, and livestock products; and so on through the list.

I would show that there were these products which were adapted—if they were not adapted to our farms, I would not say this; that is, I am not using coffee or tea or cocoa——

Mr. CLARKE. I understand; the practical farm products.

Doctor COULTER. The practical farm products which are adapted to our farms. We are importing enough; so much that it would absolutely displace our entire surplus.

When you get your farm board and your stabilization corporation, if this other adjustment is brought about, they will not have much of an export problem on their hands. Two or three hundred million dollars will more than take care of their problem.

Mr. CLARKE. Have you made any estimate as to the amount of farm products that have been eliminated because of the eighteenth amendment?

Doctor COULTER. Yes; the barley and the corn, and so forth.

Mr. CLARKE. It is a very substantial amount, is it not?

Doctor COULTER. Yes, sir.

Mr. CLARKE. And it helps to pile up this surplus and bring this problem back to us?

Doctor COULTER. Yes; that helps. Sometimes you pinch yourself in order to wake yourself up, and you suffer from the pinching and you are none the less awake; and if that is a wise thing, we who do not think it was wise might suffer from it.

But that is an element, of course.

Mr. CLARKE. The other point I had in my mind was this: That at the time we were going along with Congressman Purnell—and we were all happy to do it—in order to increase the agencies of our land-grant colleges, the evidence brought to us at that time was this: That through increasing the efficiency of these land-grant colleges in their agricultural research, in the gathering of information and the carrying on of experimentation that went along with it, there was to be a Federal clearing house for all of this information so that, for instance, you would not be in the position you are in now with reference to the potato surplus. Have we fallen down on that proposition?

Doctor COULTER. No. We have gained tremendously on that.

Mr. CLARKE. What was the situation? Was not information given to the producers of potatoes in this country as to the enormous acreage that they were planning to plant in potatoes and the surplus that would naturally result?

Doctor COULTER. Yes.

Mr. CLARKE. Then where did we fall down? What is the weak link there?

Doctor COULTER. The weak link there was that at the same time the price of sugar, because of the present situation outside, was so low that thousands and thousands and thousands of our farmers in Michigan, Ohio, Minnesota, eastern North Dakota, South Dakota, Iowa, clear down to Louisiana, reduced their sugar acreage and other similar competing crops and went more or less into potatoes, although the colleges and the department were cautioning them, saying, "For Pete's sake, don't plant any more potatoes. You are going to knock the bottom out of your market."

Neither the department nor the agricultural colleges could stop the flooding in of the starches and the sugars, and so forth, from other countries, that were taking the place of our potatoes on the market.

No tremendous gains have been made in the matter of advice, but unless you change the tariffs and the mode of marketing all the advice in the world will not help you.

Mr. CLARKE. That is all

Mr. HOPE. Doctor Coulter, you have shown very clearly, I think, how, by putting an adequate tariff on some of our agricultural importations, you could improve our domestic market for crops that could be grown here. That, of course, would necessitate quite considerable shifts in the acreage of our farm crops, would it not?

Doctor COULTER. Yes.

Mr. HOPE. How rapidly do you think those changes could be brought about, assuming that we should enact in this session a tariff law which would adequately protect American farmers against foreign surpluses?

Doctor COULTER. It would react tremendously. For instance, the Department of Agriculture forecast of intentions to plant flax in North Dakota shows that because our farmers believe that this Congress is going to do something, even before the flax is marketed this fall, have expressed their intention to increase their flax acreage three or four hundred thousand acres.

That is while you are merely in committee session. They are so sure, they are so sold on this Congress and this President, that they have expressed intentions to plant.

The same thing would be true in cattle, and all along the line. It is happening very, very rapidly.

In fact, just going a step farther, the local sugar-beet factory, to whom we sell our sugar beets, has contracted with all of us farmers to pay us $1 a ton more for our beets this year. It is true that it was partly because they were getting down to such a small tonnage that their overhead was getting excessive; but it is also true that they said, "Surely, we can count on a small fraction of a cent rise anyhow and to work with your farmers we are going to pay you a dollar a ton more." The tonnage of beets contracted just within 80 miles is some 8,000 acres increase. That was contracted for at $1 a ton advance.

That was done merely because of the confidence in this President and in this Congress, because of their belief that they were really going to work out an improved adjustment for agriculture.

Mr. HOPE. If we do not pass this tariff bill, then, there will be a good deal of trouble in North Dakota?

Doctor COULTER. You will get a little kick out of it for a little while and then we will tackle it again.

Mr. HOPE. This shift in acreage is actually going on now in anticipation of a tariff adjustment being brought about?

Doctor COULTER. Yes; tremendously.

Mr. HOPE. Do you see any reason why we should not put a tariff on products from the Philippine Islands?

Doctor COULTER. Being as I do not have to get votes, and also being as half a dozen of my family have been very much interested in the Philippines since 1898, I will say this, as my firm belief, that we should say very frankly that we believe and we intend to do what we have been saying since 1898. That is, that when and if the Philippine Islands qualify for independence, as Cuba as qualified, then they are independent. In the meantime, in proportion to their ability to establish that independence, we would have to work out some satisfactory system.

That being true, that is the same as saying that the Philippine Islands are not going to be a Territory and then a State. Then I would say that there is only one sound principle to follow, and that is: Do not build up an artificial agriculture over there to penalize those poor devils. Say to them frankly, "When and if you qualify, out you go." Try it out. You must not build up an artificial type of agriculture. You are going to go on the preferential dollar basis and pay the regular rates with the 20 or 25 per cent differential, whatever that is going to be.

Of course, I attack this from the straight standpoint of sound economic and international relations rather than from the standpoint of what the voter would think.

Mr. BRIGHAM. Doctor, I believe you referred to the decreased consumption of wheat in this country. I understand that while this decrease has been going on in the case of wheat, there has been a per capita increase in the consumption of sugar.

Doctor COULTER. Yes, sir; we are importing the bulk of the sugar and then exporting our wheat.

Mr. BRIGHAM. Can you tell us of the possibilities of raising our own sugar in this country?

Doctor COULTER. There is not any question but that we could raise the bulk of our sugar, and should be doing it.

Mr. BRIGHAM. Have you in mind a tariff that would be necessary to bring that about; how much per pound?

Doctor COULTER. It would be only a fraction of a cent.

Mr. BRIGHAM. Per pound of sugar?

Doctor COULTER. Yes. It would not be over a net six-tenths of a cent, a little over a half a cent. Our present tariff is 2.2, is it not?

Mr. BRIGHAM. Yes.

Doctor COULTER. If it were made 3 gross, with a 20 or 25 per cent differential for Cuba and the Philippines, it would make possibly a perfectly magnificent readjustment.

For instance, take it down in southeastern Texas, where I have three or four hundred acres—that is, my wife has—we grew cane down there. But now we have been forced into cotton and potatoes, just the very wrong things, and we would slip back into cane down there and we would slip into some beets up here and it would result in two or three million acres in the course of the next 10 or 20 years, and nobody would be injured by it.

Mr. BRIGHAM. Last winter I listened to considerable testimony presented to the Committee on Immigration and Naturalization in reference to the so-called Box bill, which would apply a quota to Mexico and reduce the immigration from that country. It seemed to be the unanimous opinion of the sugar-beet growers that the importation of Mexican labor was absolutely necessary to the continuation of that industry. Have you any knowledge as to that?

Doctor COULTER. I do not feel that that is true. I use some Mexicans myself but some years I do not use any native labor.

Mr. BRIGHAM. If the price of sugar went up, as you suggest, do you think we could afford to use our own labor in the growing of sugar beets?

Doctor COULTER. Yes. In the first place, we are cultivating twice as much land with one man and a team as we used to. We are cultivating four rows at a time; using improved machinery.

Mr. BRIGHAM. Can you grow beets without any hand thinning now?

Doctor COULTER. No; we still have to have some, but the acreage per man is increasing constantly, and I think we would be able to get the necessary domestic labor, though I do not like to discriminate against any of the Americas. I do not want them to take the position that we think we are better than they are, although I may think so.

Mr. BRIGHAM. You referred to an export bounty paid by the State of Massachusetts on wheat. Massachusetts has gone out of the wheat-growing business and gone into the textile industry.

Mr. COULTER. Yes; but they tried; they struggled to hold on to that wheat.

Mr. BRIGHAM. But the point in my mind is this. Assuming that the Government of the United States embarks upon the export debenture plan on agricultural products and we have a condition in the textile industry, for instance, as obtains in Massachusetts now, where people are out of employment, where the scale of wages has gone down, would you advocate the application of that export debenture plan to industrial products as well as to agricultural products?

Doctor COULTER. I am wondering, is that due to foreign competition or to a change in the domestic situation? I am not familiar with the manufacturing industry. I have been kept too busy farming.

Mr. BRIGHAM. I understand that we import a lot of textiles from England.

Doctor COULTER. I would protect the textiles, then, by the tariff. If we are not going to maintain a different standard of living and civilization than other countries—and I grant you it is bringing a lot of jealousies and envies and bad feelings among many peoples in the world. I have traveled a thousand miles in European countries before I could find a telephone. They do not have the conveniences that we have; driving by horse instead of by automobile, and all that sort of thing. It is creating a lot of jealousies and envies and bad feelings, but if we are going to maintain a scientific civilization over here, based on all these marvelous things which we are doing, then I would say we will just have to protect it, that is all.

Mr. BRIGHAM. If we applied the export debenture plan to agricultural products——

Doctor COULTER. I do not think you would need in that case to do so. I think merely the rise in the tariff would do it.

Mr. BRIGHAM. If necessary, if we apply it to agriculture, we should apply it to all industry, you think?

Doctor COULTER. I should say theoretically; let every case stand on its own merits, the same as we do now with the drawback. I am not an advocate of what they call the debenture plan. I think if you start something new you are likely to get into trouble, but if you already have a perfectly satisfactory system worked out, which is constitutional, to wit, the drawback, and we are already drawbacking a lot of things, I would merely apply that.

Mr. BRIGHAM. But you do not believe in the Government discriminating between industries?

Doctor COULTER. No.

Mr. HOUSTON. Doctor Coulter, you are familiar, of course, with the large importations of sugar from Cuba into the United States?

Doctor COULTER. Yes.

Mr. HOUSTON. That importation at the present time is at a price below the cost of production.

Doctor COULTER. Yes.

Mr. HOUSTON. Does not that partake of dumping?

Doctor COULTER. I rather think so, but I think automatically we can protect ourselves in this other way and I am not worrying about Cuba not being able to develop. We used to be satisfied with 10 pounds of sugar per capita, now we use over a hundred. The rest of the world is still living on 8 and 10 and 15 and 20 pounds. There is no question whatever but what the Cuban sugar will find a world market. We are only 6 per cent of the people. There are 2,000,000,000 people—lots of them starving. We have the cheapest sugar market in the world, cheaper than Canada, cheaper than any European country, or any other country in the world.

Mr. HOUSTON. The tariff is a legitimate and a proper method of helping the sugar industry?

Doctor COULTER. Yes; at the same time eliminating a lot of the surplus of other things.

The CHAIRMAN. Doctor Coulter, I was not here when you made your statement. Do I understand you to be in favor of paying the exporters of agricultural products a bounty equal to the tariff?

Doctor COULTER. I know you would rather that I would say either yes or no, Mr. Chairman, but I would rather say this: That since we have built up over a period of a long series of years the principle of allowing a drawback on an individual article, or an article derived therefrom, I would rather say that I would apply the drawback and say that a substitute article would apply equally well. That if we import beef and got a drawback with beef we might cash it when we exported pork.

The CHAIRMAN. Are drawback receipts equivalent to the tariff on the exported article?

Doctor COULTER. Yes.

The CHAIRMAN. For instance, take wheat. There is a tariff of 42 cents on wheat. Would you pay 42 cents on all the wheat exported?

Doctor COULTER. If you wanted the drawback—I think they allow only 99 per cent of the amount paid.

The CHAIRMAN. Ninety-nine per cent?

Doctor COULTER. If the tariff on beef is 8 cents and on pork is 8 cents, and we import 1,000,000 pounds of beef and got a drawback receipt, you could export the pork and cash it in.

The CHAIRMAN. That would be all right with pork.

Doctor COULTER. The same thing could be applied to other agricultural products.

The CHAIRMAN. Would you have a drawback on wheat?

Doctor COULTER. Any agricultural product.

The CHAIRMAN. Equal to the tariff?

Doctor COULTER. Yes.

The CHAIRMAN. That would guarantee him the benefit of the tariff?

Doctor COULTER. Yes. I do not see why, if we have the drawback, we should not use it a little more widely.

The CHAIRMAN. If you are going to limit the drawback to certain commodities, it might not balance.

Doctor COULTER. I would let it take its course. I would apply it on all the agricultural products which we are adapted to produce and permit the drawback on other agricultural products which are exported.

The CHAIRMAN. Would there always be sufficient to pay the exporter?

Doctor COULTER. If there were not, the drawback receipts would not then be negotiated at par. The market would take care of that.

Of course, if we actually readjusted our agriculture in such a manner so that we expanded, if we got wildly enthusiastic and expanded our production as we expanded our land values during the war period, and produced ten times as much, because the price became too large, I would let it automatically seek its own level.

The CHAIRMAN. I appreciate the importance of establishing a balanced production, and I want to say right here that you have done more along that line than anyone I know of. You have been very successful. But evidently there is much left to do. It is a large program. What we need now is something that will give immediate relief, rather than to string this thing along. People are going into bankruptcy and we have got to save them if we can.

What we have been contending here, most of us, I believe, is that we have the tariff and we are entitled to the benefit of it, so far as it is possible to get the benefit of it.

What is true of wheat is true of corn. We are not getting the benefit of the tariff on that. We are more nearly getting it on corn than on wheat, because we have a larger surplus of wheat.

Doctor COULTER. I would say this: At the present time our imports of substitute farm products from other countries, in other words, this world surplus stuff that is coming in, exceeds very materially our surpluses which we are selling to the world. Therefore the revenue derived from that which is coming in and ruining our market would pay the drawback and it would automatically take care of itself.

The CHAIRMAN. Would the drawback on the agricultural commodities that you have referred to be sufficient to make good the tariff on the other side?

Doctor COULTER. Yes.

The CHAIRMAN. If not, you would then pay it out of the Treasury; is that it?

Doctor COULTER. No. I would make our own agriculture only self-sufficient. I would not ask for any subsidy for it.

The CHAIRMAN. Can you give the amount of the drawback, what that would be in the aggregate, and also the amount of the tariff we would be entitled to on all exports? We should know that before we decide on the plan.

Doctor COULTER. I quoted a rather different kind of figure. I did not intend to propound a new plan. The figure that I quoted was the value of the products which were imported, the farm products imported and the farm products exported which we were adapted to produce. Assuming approximately the same general tariff rate

all along the line it was clear that there would be a very much larger amount collected than would be necessary to drawback in the case of those things which we produced.

The CHAIRMAN. If it were not sufficient, would you then favor making it good from other sources?

Doctor COULTER. No; I do not want any subsidy as a farmer.

The CHAIRMAN. It all comes out of the Treasury, whether directly or indirectly.

Doctor COULTER. Industry would not want you to call a drawback as it is working now a subsidy. Therefore we, the farmers, do not want to call this a subsidy. This is merely a drawback.

The CHAIRMAN. Absolutely, it is a subsidy; it comes out of the Treasury. The treasury is out that much money. It does not make any difference whether you capture it before it gets into the Treasury or afterwards.

Doctor COULTER. Surely, we are not subsidizing industry; and they would not want to have bonuses and sibsidies; agriculture does not want that either. We merely want that the drawback shall apply.

The CHAIRMAN. Whether you call it a subsidy or a drawback. it amounts to the same thing. The Treasury is out that much money.

Doctor COULTER. It is evident that the world surplus, dumped in this country, balances the surplus which we are emptying out. This merely balances the two.

The CHAIRMAN. I do not care what name you give it; that is the result. How can you give them the desired relief? If you will recommend that they should be paid the full amount, that the tariff should be made good, even up to 99 per cent, I think that would be satisfactory.

Doctor COULTER. I would not be in favor of taking any money from the Treasury, because it is possible that the tariff laid on some products which we are exporting may be at the present time excessively high, and if it were, and if it were fully effective—taking wheat as a case; I do not know that it is there. The Tariff Commission says not. It has investigated the subject and says that the difference in cost of production between North Dakota and Alberta or Saskatchewan is 42 cents. It might be too high. If you made it fully effective, and every bushel exported was going to be given the privilege of drawing back 42 cents on some drawback receipts resulting from the importation of flax, we will say, that might result in such an expansion of production that the thing must automatically regulate itself, and if they exported too much then they would automatically only receive back the amount of the total drawback receipts issued during the fiscal period.

The CHAIRMAN. Then it might be put in this way. If you had a drawback on pig iron, would you make that available to make up the tariff on farm products?

Doctor COULTER. No; I would make agriculture self-supporting.

The CHAIRMAN. But that does not make it supported by the tariff. We are talking about the tariff to which the farmer is entitled, if we are going to place him on an equality with others.

Doctor COULTER. I think that would absolutely place them on an equality with others.

The CHAIRMAN. But you say you are not advised as to the amount. It might be a few hundred million dollars. I have not looked into that. If it is going to be sufficient, of course, it does not matter from what source it comes.

Doctor COULTER. My only contention is that it would automatically regulate itself.

The CHAIRMAN. It would; but the drawback can be ascertained at the beginning. If it is sufficient it would work out.

Doctor COULTER. If it is not sufficient I would say we were now overexpanded on some products, and we would have to reduce them.

The CHAIRMAN. You have done excellent work, and you have made good progress, but it would require another 50 years before it could be accomplished. I do not think the time will ever come when you could bring about a balance of production.

Doctor COULTER. Of course, my point, made before you came in, Mr. Chairman, was that we are now importing the products which are directly in competition with our own products.

The CHAIRMAN. I think your position is well taken.

Doctor COULTER. That includes tea and coffee and other food products, of which we are importing far more than we are exporting.

The CHAIRMAN. If it can be accomplished, all well and good. But we are interested in placing the farmer on a parity, on an equality with others. We have promised them that time and time again. But the question is, how can we place the farmer on an equality? Inasmuch as we have the tariff, it must be made effective. I think we are all agreed about that. One method proposed is the debenture system; another is the drawback; another is the license system, and there have been other propositions.

It matters not by which way it comes, just so we get it. I would like to be very sure that before we do adopt some method it would accomplish the desired result. If you say you are in favor of making the tariff good, that can be taken care of.

Doctor COULTER. I would make it good up to the amount of the drawback receipts on farm products which we are able to produce in this country.

The CHAIRMAN. Well, we will look into that and see whether it would be effective.

Mr. PURNELL. I just wanted to say I am very much interested in your development of the idea that we import rather than raise our surplus, and I want to express my personal regret that you did not appear before the Committee on Ways and Means and give them the same presentation you have given us this morning.

Doctor COULTER. They were so hurried that we did not get much time. I was there for a minute or two, but they had 1,100 witnesses.

Mr. PURNELL. Do you know whether any one did appear before the Ways and Means Committee for the purpose of developing that particular thought?

Doctor COULTER. Only briefly. Some of us tried to talk to the members of the committee in the hall.

Mr. PURNELL. Your suggestion that this committee do it sounds all right, but legislative committees in Congress usually are pretty jealous of their rights.

Doctor COULTER. On the floor of the House the Agricultural Committee must look out for agriculture.

The CHAIRMAN. Have you a brief to file?

Doctor COULTER. No, sir.

Mr. JONES. Doctor, in reality, is there any substantial difference in the effect of your drawback plan and the export-premium plan?

Doctor COULTER. Except that this automatically applies itself. It is much simpler. It is a heck of a proposition to get a new principle started in America, and the drawback works so smoothly, in general, that I think it would be much easier.

Mr. JONES. But the effect would be about the same?

Doctor COULTER. It would be identical; yes, sir.

Mr. JONES. I was interested in the statement you made that it would be necessary for the cooperative organization or some other organization to be active in order to secure the full benefit of such a program.

Doctor COULTER. To be sure, yes.

Mr. JONES. I am not quite sure that would be necessary. If wheat is $1.25 a bushel, and a buyer can buy it for 80 cents, he will buy it in that way, will he not?

Doctor COULTER. Yes.

Mr. JONES. It is the competition between the exporter and domestic buyer and among the domestic buyers themselves that make him pay the price?

Doctor COULTER. Yes.

Mr. JONES. If the effect of one of these programs was to give a premium to the exporter, the competition between him and the domestic buyer would automatically lift the price, would it not?

Doctor COULTER. Yes; but I think it is best to be on guard, so far as the cooperatives are concerned.

Mr. JONES. I agree with you that it is best to be on guard, and if the competing buyers sought to take advantage of the premium by giving them just half of it, that would be a tremendous lure for a man to go into the cooperative.

Doctor COULTER. Yes.

Mr. JONES. Because if the premium was 20 cents a bushel on wheat and the buyer only would give him 10 cents of that, there would be an automatic advantage to the cooperative of 10 cents a bushel.

Doctor COULTER. Yes.

Mr. JONES. I would say in the conference where they have tried this out, the effect has been to increase the price of the commodities substantially by the amount of the premium.

Doctor COULTER. Yes.

Mr. JONES. I realize that is a somewhat radical program, but yet I think agriculture has been handicapped in the tariff bills and discriminated against all along to such an extent that such a program is justified. I think there is very little chance, for instance, to get vegetable oils and jute and commodities like those in the tariff bill this year, although I think they ought to be included, like all other imported commodities.

Doctor COULTER. My own feeling is that the fact that both Congress and the President will recollect that it will soon be just another year before another election, will have some effect. That is the only thing we have to go on, back in the country.

Mr. JONES. I will state I was not here when you first outlined your program, but it is a very interesting one. I do not see how anyone could complain of such a program if you limit its operations to the competing commodities that come in here in competition with the farm products of the country.

Doctor COULTER. Yes; I think that is true.

Mr. JONES. That would make the farm problem take care of itself. Of course, everyone knows that any man who is engaged in producing a commodity that is produced in surplus quantities in this country would not get the advantage of the protective market as far as that commodity is concerned unless some drawback or other provision is furnished him.

Mr. FORT. Mr. Chairman, I would like, if I may, to ask some questions along the line of Mr. Jones's questions. If there is no objection, I would like to ask one or two questions.

Doctor Coulter, you have specialized in the instruction of farmers in diversification. You have done a fine job in that direction. I am entirely in accord with you in your idea that the tariff should be used as an instrument to balance up agriculture.

Have you any specific suggestions, not as to the rates of duties but as to the commodities on which changes in the tariff would promote a program of the diversification of American agriculture?

Doctor COULTER. I think I have checked every article which is brought to the seaboard of the United States from the seven seas to see wherein it displaces some of our American products where we have a surplus on our hands of our domestic material.

Mr. FORT. You did not put that statement in in the first few minutes of your testimony, did you?

Doctor COULTER. No, sir.

Mr. FORT. Have you it in such form that you could give it to us?

Doctor COULTER. I do not know that I have the details. I put some material before the Committee on Ways and Means in cooperation with various other farm organizations. Most of that material, I think, is before that committee.

But it covers a wide range, including livestock and livestock products, grain, seed, and root crops, whether potatoes or potato substitutes; dairy products or their substitutes; fruits and vegetables and the competitive substitutes, things which we are able to produce without any thought of trying to raise our own by individual labor, and all that sort of thing.

Mr. FORT. The reason I am asking you for that is that I have, following your own example, tried to persuade members of the Committee on Ways and Means in the hall that it is an exceedingly important phase of farm relief, and I would like to know if you have any way by which you can get the information to this committee. I think the members of this committee would be glad to have it as a guide to our judgment, not as to what the rates ought to be but as to what commodities it should be put on as a part of a farm-diversification program and to relieve the surplus by growing something else.

Doctor COULTER. I will be glad to send each member of the committee a copy of that when I return home.

Mr. FORT. Could you not do it before you leave, because it is a matter that is getting pretty urgent?

Doctor COULTER. It is only a matter of a day or two to send you a copy of a statement which the Northwest Agricultural Foundation did prepare, with myself as president, setting forth those things which particularly pertain to the northwestern part of the country. It was quite a wide range.

Mr. FORT. It has seemed to me that that is one of the ways in which the consumer most properly can be made to bear his share of the burden of the rehabilitation of American agriculture, rather than in any other form which has come to my mind as a direct, effective method. Do you feel that way about it?

Doctor COULTER. Our own feeling, that is, the feeling of those who have been working on this particular subject for 20 or 25 years, is that you have got to impress it on the minds of the farmer and the cooperatives that the orderly, individualistic type of business could make enough savings between the farm and the consumer to be of great benefit to the farmer through this process.

Mr. FORT. That is an eventual thing that I agree with you on, but I am referring to a temporary means of bringing that condition about. It seems to me that the consumer, as an American, interested in American agriculture, should be willing to pay a temporarily higher price for some commodities in order to make an inducement to the farmer to get out of raising the surplus that we have now in some of our commodities.

Doctor COULTER. We figured out that if the tariff adjustments were made in every article suggested, if all of the agricultural organizations combine, and if all the rates were made as high as all of the agricultural organizations requested, and if they were all fully effective on every article imported, or every farm product, that is to say, if they were fully reflected back to the farmers, and if there was no saving between them and the consumer; in other words, if the farmer put that over on the consumer, it would make a difference of approximately 2½ cents per capita per day which the consumers would have to pay. That is, if every request were granted and it were all fully effective, which, of course, we know it would not be, and it would not be reflected, then the increase in the tariff on wheat or oats would not make any difference in the price of the wheat in a loaf of bread, because the amount of wheat in the bread is insignificant, anyway.

Mr. FORT. Irrespective of how the figures work out, the principle is sound.

Doctor COULTER. If it were fully effective the cost would be simply the price of a postage stamp.

Mr. FORT. I am perfectly willing, as the representative of a consumers' district, to support a program that looks to a higher tariff on these things that we do not produce enough of to allow the farmer to get away from the things that we produce a surplus of.

The CHAIRMAN. Doctor Coffey, we will be glad to hear you now.

STATEMENT OF W. C. COFFEY, DEAN, DEPARTMENT OF AGRICULTURE, UNIVERSITY OF MINNESOTA

Mr. COFFEY. Mr. Chairman and members of the committee, I wish to state first of all that, unlike Doctor Coulter, I am not a trained and experienced, practical economist, and therefore I am not qualified

to discuss the questions he has taken up this morning as ably as he. Therefore, I prefer not to get into those questions at all, because if I were to attempt to do so I think I would be certain to fall down part of the time because of my own limitation.

Mr. ANDRESEN. For the benefit of the record, and also for the benefit of the committee, will you state your full name and the position you occupy?

Mr. COFFEY. My name is W. C. Coffey. I am dean of the department of agriculture of the University of Minnesota.

President Coulter and I come from the same general region, and we rather agreed between us that he would take up these very important questions he has discussed this morning because he is able to do so, and I would like to have just a little of your time to read a statement that I have prepared, dealing with an important educational matter.

The McNary bill introduced in the second session of the Seventieth Congress proposes to organize stabilization corporations out of cooperative marketing associations. We of Minnesota believe in cooperative marketing. The larger cooperatives alone are conducting an annual business of from eighty to one hundred million dollars. By and large they are rendering a valuable service to the agriculture of the State.

If cooperative marketing associations are to function effectively as stabilization corporations, they must be sound business institutions managed by a personnel as capable as can be found anywhere in the marketing structures, and these are the kinds of institutions we are attempting to make of our cooperatives in Minnesota.

Cooperative marketing is an economic movement which can not be advanced merely by organization campaigns. Because cooperatives are business organizations, the question of whether or not to unite with such a movement is a business question which the individual farmer must decide for himself. It is desirable that in arriving at his decision he should have before him the fullest possible information and understanding, and the biggest aid that can be rendered to the cooperative movement is not that of promiscuous promotion but rather that of constructive educational activity which will teach people more about the fundamentals including possibilities, limitations, and requirements for success.

Cooperative marketing has gotten into disfavor among some farmers because of the failures of promoted organizations. Cooperatives can not be forced into full bloom overnight because, as business organizations, they must have sound business growth. The members must believe in the principle of cooperative marketing and well-grounded economic reasons should be the basis for their belief.

Since the membership of cooperative marketing associations is composed of producers of commodities, it is obvious that the relationship between the producing and marketing processes is close, and success is to be achieved by efficiency in both processes. Wasteful, inefficient producers can not be saved by any scheme of marketing, no matter how effective it may be.

I believe thoroughly in doing everything possible to adjust the marketing of agricultural products so that the farmer may secure as much of the consumer's dollar as possible, so that potent weaknesses

may be overcome, one of which is the acute "ups and downs" of farm prices. I also believe in doing all we can in overcoming patent weaknesses in production which show up in such matters as poor quality of product, low yield per acre and per animal, and the inefficient handling of labor and equipment. In Minnesota one of the outstanding contributions made by the cooperative marketing of butter has been the improvement in the quality of product.

I do not wish to minimize the importance of any legislation that may help in adjusting the problems surrounding agriculture, but regardless of whatever else is done, I feel that the full obligation of the Nation will not be fulfilled unless larger provision is made for research and extension work as they relate to both production and marketing.

There is no need for improving methods of marketing in order that greater efficiency and economy may be obtained. This can not be done without adequate facts as to existing methods, weaknesses in them, and possible improvements in them. Research studies have for their purpose supplying such facts and developing fundamental principles. Problems of price are of fundamental importance and much research is needed to find out the basis of prices, price movements, and reactions. What are the factors influencing prices? What are the responses to changing prices? What are the results? Answers to such questions are important in any attempt to devise plans which will influence price levels. There is need for additional research in the problems, methods, scope, possibilities, and limitations of cooperative marketing associations. In case cooperatives are to act as stabilization corporations this need is all the more accentuated.

The farmer needs to know what to produce as well as how to produce. The former is economic; the latter technical. He needs to know about cooperative costs, about methods of farm organization, about marketing methods and outlets, about probable future conditions in the market. The furthering of cooperative marketing is largely a problem of constructive education in principles. Extension work in marketing should be developed further for these purposes.

Research and extension workers must have adequate training for their duties. For this reason the maintaining and strengthening of instruction in agricultural economics are of special importance.

Agriculture is organized in small units, which makes it impossible for the farmer to handle his research problems, which are many and ever increasing. They must be provided for through State and Federal appropriations. According to a computation made by the National Research Council and quoted by Charles M. A. Stine in the Nation's Business of February, 1929, there was spent in 1927 in the United States approximately $217,000,000 for scientific research. According to Mr. Stein, $200,000,000 was spent for industrial research and only $17,000,000 for university and governmental research. In case these figures are only approximately correct, it must be clear that the amount of money being spent for agricultural research pales into insignificance.

Surely the most important basic industry of the land should have invested in it sums for research that are commensurate with the amounts that are being invested in industrial research. In my office files there are 100 or more requests from organizations and indi-

viduals for researches which can not be financed, and there are many additional requests for more extensive attack on researches now under way. Doubtless the same situation exists in practically every State and in the Federal department as well. The Federal appropriation allotted to each State for research is only $90,000 per annum, which is indeed a small national investment in an activity that is indispensable to agricultural progress.

But the results of research are of no value unless they are put into practice. The Federal Government recognized this principle when it provided funds for agricultural extension education through the Smith-Lever Act. The system inaugurated by it contemplated a county agent organization in every agricultural county in the United States. In view of the need for county agents, home-demonstration agents and boys and girls club agents, that system is only about half completed. It was inaugurated on a 50-50 basis—that is, every dollar advanced by the Federal Government had to be matched by a dollar from the States. The States have more than made good, and in order to complete the system the Federal Government should appropriate more than twice the amount it now allots to this activity.

All legitimate forms of publicity should be used in placing the results of research and the most successful practices of production and marketing before the millions of farmers of the country. The research worker, the man who is delving after the fundamental truth has a passion for truth but seldom a penchant for interpreting it in terms that appeal to the man at the plow. It is too much to ask of the research worker that he have both the genius of the laboratory and the skill of the modern publicist. But the results of agricultural research would be much more far-reaching if more money could be invested in the most effective methods of modern publicity.

Dry, technical bulletins containing the full records of researches must be published. Any research agency failing to issue such publications would make a mistake. To make them a message to the world at large, however, is a serious error. As a whole we are lame in connecting the public with our agricultural research laboratories. An outstanding feature in our scheme of extension education should be an agency of publicity which in both time of speaking and manner of presentation can meet the modern demands of a news-hungry world. But to do this requires funds which we of the States do not have, and I also think the Federal department does not have them. In my judgment, it is legitimate to ask for funds for this purpose, and I hope this feature of extension education may be recognized by the Federal Government in its attempt to make sound agricultural adjustment as regards education.

Better credit facilities are needed by cooperatives. In this day of consolidations in the various fields of the business structure of the country, cooperatives, also, especially of the federated type, have need of credit for expansion. Also, as they gradually replace the intermediate agencies between the cooperative and the consumer, they need better credit facilities because the period between date of sale and of collection is lengthened.

I have here a little circular that was published by the agricultural experiment station of which I am director, with the title "Agriculture in Minnesota."

It is a very graphic attempt to portray the development of agriculture in our State in outlining the problems and in telling of the program of work under way. I think this little publication has met with more favor out through the States than anything else we have ever published, because it is an attempt to do just what I say, to make the news about our work pithy and to the point. This little book costs 10 cents a copy. We could have made it much more effective if we could have done it with colors on the inside. It is all done in black and white, with the exception of the cover, which is in colors. We do not have at our disposal the funds to put out publicity of that sort. Oftentimes we would like to publish the bulletins we have with color plates, but our funds do not permit of it.

Those are illustrations of the point I had in mind when I spoke about getting more adequate publicity from our research laboratory.

That is briefly what I wish to present. It can be amplified, if you would like to have it.

Mr. FORT. How large a body of men are there in the country to-day who really know how to organize and run a cooperative marketing association?

Mr. COFFEY. I could not answer that question by stating the number, but one of the very great problems in cooperative marketing to-day, sir, is the efficient management of the cooperative.

Mr. FORT. Are there any courses in any of the land-grant colleges or other colleges that are directed towards training leaders for cooperative associations?

Mr. COFFEY. If you mean training leaders, I, perhaps, would have to say, no. A large number of our colleges are giving courses in economics, which are designed to bring out the principles underlying cooperative marketing. We are all busy in that particular field. But the body of knowledge in that field, Mr. Fort, is incomplete and inadequate at the present time, and to train cooperative leaders is more than a matter merely of collegiate training.

No college graduate, fresh from one of these colleges, is equipped to go out in a great leadership like that.

Mr. FORT. I appreciate that.

Mr. COFFEY. But in our own State I wish to say that the outstanding leaders in cooperative activities, as managers, and so forth, are mostly graduates of agricultural colleges.

Mr. FORT. Is there any such course in those colleges, for example, as a course in business administration. Many of the colleges are conducting what they call schools of business administration. Is there anything parallel to that in the land-grant colleges that would train the students in cooperative administration?

Mr. COFFEY. Yes, sir; those courses are being developed. They are still more or less in a formative stage, but they are under way.

Mr. FORT. Is it not important in any program that we consider to take that work into account?

Mr. COFFEY. That is the point I am trying to make. In the discussions here, we are talking about the stabilization of prices through the agencies that we are developing throughout this country. I suppose we are talking about something that will function throughout the years, and, of course, intelligent leadership in those institutions, known as cooperative-marketing associations, is very essential. That is why I so thoroughly believe that we must extend our facili-

ties for research and education in both the field of marketing and of production.

Mr. FORT. Have you any estimate of what that kind of program would cost, and can you state whether it should be done by the Federal Government or by the States?

Mr. COFFEY. I think it should be done by both.

Mr. FORT. What would be a fair contribution from the Federal Government to the general cost of that work?

Mr. COFFEY. I have not any definite figure in mind, but, at the present time, the Federal Government is expending for research in each of the States approximately $90,000 a year, amounting to about $4,320,000 annually, I think. I do not know how much is being expended per year by the Department of Agriculture. Of course, that is not training leaders, but it is for research work and other activities. The leadership training is a function of the colleges, and if these people are going to be adequately trained, they must be next to these young men. They must be the kind of people who understand the principles of the cooperatives, and who are themselves engaged in research in cooperatives. Therefore, I think that a considerably larger sum should be turned over by the Federal Government to those activities. I think they should do at least double what is being done now.

Mr. FORT. Now, we are at the moment busily engaged in discussing a bill, presumably on the marketing side of agriculture.

Mr. COFFEY. Yes, sir.

Mr. FORT. Should the control of the funds for the purpose of assisting in education on marketing, in your judgment, go through that board which is primarily concerned with the marketing side of agriculture, or should it simply be merged with the general extension fund?

Mr. COFFEY. You are talking now about education and research?

Mr. FORT. Yes; in this specialized field.

Mr. COFFEY. I believe that control over the funds for research should be turned over very largely to the educational institutions because of this very training that you are talking about. You need to have the men who are being trained next to this research problem while they are in training. I also think that even in extension and education there would be a large function in training among the farmers in the matter of cooperative marketing. Just a few days before I came down here I talked with the manager of the Land o' the Lakes organization, which is one of the most efficient cooperative-marketing organizations in America, and he made that very point. He said that we are badly in need of more funds for both research in cooperative marketing and for instruction through extension agencies in cooperative marketing. He spoke very earnestly to me about advocating more such funds.

Mr. FORT. I am in entire accord with that. What I want to know is what organization through which we should handle it. Here we will set up, presumably, a Federal farm board to deal with the marketing problem in agriculture. We already have a research and extension service. Now, should we, in order to put emphasis upon this work, put the funds for this additional work along marketing lines under the control of this farm board, that is interested in marketing primarily, or should we simply merge them with the general extension service?

Mr. COFFEY. My judgment would be to put it under the general extension service, but I am not sure that I am right about that. Every marketing organization should have an educational feature. Organizations like the Land o' the Lakes cooperative are engaged in educational activities. That is something they must do as they make contact with their membership. However, that is always in connection with the business in hand. It is the idea of the people in charge of those cooperatives that there need to be system of education along that line. I believe that if we develop cooperative marketing in America as it should be developed, we must get the instruction right down to the boys themselves of this country. Of course, the cooperative marketing will not be in charge of the boys' and girls' clubs or in connection with that work, but that is the first start.

Mr. FORT. You have no definite estimate of how much we should expend in that direction?

Mr. COFFEY. No, sir.

Mr. FORT. In order to aid this service in a satisfactory way.

Mr. COFFEY. No, sir. I think that if they were to extend the funds for research—because you have the production side and the marketing side both—I would say that the Federal Government could very well afford to double the amount of money that is appropriated for this purpose for research in the States. How much should be provided down here, I do not know. I also think that for a complete extension system of education the Federal Government, over a series of 10 years, should expend from ten to twelve million dollars per annum.

Mr. NELSON. Mr. Coffey, on the subject that you have just been discussing, is not one of the big problems to develop a scheme of instruction, just as was done in teaching agriculture and home economics, and do we not need that primarily quite as much as we need immediately increased funds to work out a plan?

Mr. COFFEY. Yes, sir; I think that is true. If we review the history of agricultural education offhand, Mr. Nelson, we will see that it never made much headway until the experiment stations were provided, in which to develop the principles. That is why I am laying emphasis upon the importance of research in cooperative marketing, because the principles must be understood and illustrated in various ways in the field in order to give you a system of instruction.

Mr. NELSON. Do the land-grant colleges provide courses of instruction, having in mind the utilization of such information at the present time?

Mr. COFFEY. Yes, sir; they are doing that now as rapidly as they can. Our great difficulty at the present time is the shortage of people in this field.

Mr. NELSON. That is what I am coming to. There are two things that are lacking, namely, a definite course of study and a shortage of competent, well-paid men to carry on the work.

Mr. COFFEY. Yes, sir. I might illustrate that by saying that in my own department in the university farm at St. Paul we have in the past three years lost a large percentage of good men in agricultural economics, because the market is bidding for those men. The organizations engaged in cooperative marketing are bidding for those men at salaries from $8,000 to $10,000 and $12,000. Then the

various institutions throughout the country have not trained the number of men that we need to fill those positions.

Mr. NELSON. You have pretty definitely in mind what you think you would do if you had plenty of men and the money.

Mr. COFFEY. Yes, sir.

Mr. CLARKE. On the research end of it I quite agree with you, Mr. Coffey, that we must do a great deal more research work. Here is the point that is bothering me: From my actual observation of the work of a lot of these extension agents, either because of the set-up or for some other reason, we find that they are too often going into politics. What is your observation in that regard?

Mr. COFFEY. I think you are right.

Mr. CLARKE. How could that be eliminated?

Mr. COFFEY. In our own State we are trying to meet it in this way——

Mr. CLARKE (interposing). That is what I want to get at.

Mr. COFFEY. In my own State the county agent is supported in his work by Federal funds, by State funds, and by funds appropriated by the county commissioners of his county, as well as by farm bureau funds which are made up of membership dues paid in by the members of the county farm bureau, in the county where the work is done. Therefore, there are four sources of funds under which this county agent must work. He can not possibly operate unless there is set up in the county a county farm bureau organization, and he can not operate unless the county commissioners of the county appropriate funds, because there is not enough Federal and State money provided to enable him to operate.

Therefore he is under the necessity of trying to convince the commissioners of his county that he ought to be supported in the work. He is like a poor preacher who must go out and raise the money for his own salary. Necessarily, he has got to trim and hew to the whims and fancies of the men who are county commissioners. Then he is often criticized by the farm bureau membership because he renders service to everybody in the county, whereas they have paid in their special money for the service. In Minnesota we have a bill pending in the legislature now providing that the minimum needs for the county agent will be met out of Federal and State funds. That is done so we can take it out of politics.

Mr. CLARKE. That is a very satisfactory and illuminating answer, and I thank you for it.

Mr. BRIGHAM. Referring to the subject of the farm board, would you advocate the provision of any funds or of any authority for the board to enable it to set up cooperative organizations?

Mr. COFFEY. I can not answer that question. I have not given it enough study to make an intelligent reply to the question.

Mr. BRIGHAM. But from your statement I take it that your view is that cooperative organization ought to be organized from the ground up.

Mr. COFFEY. In general, that is my view. The organization of the cooperative should not be a forced organization under any circumstances. I do have a conviction upon that point which, perhaps, I can not demonstrate; but if I were a member of the Federal board I would not force upon any cooperative marketing association any form of stabilization corporation. I think that the cooperative must

exercise its judgment as to whether or not it is able to be a stabilization corporation.

Mr. BRIGHAM. Assuming that the board felt that there should be new cooperative organizations set up, do you think that the board ought to set the machinery in motion to accomplish that end; do you think it should go out and set up new cooperative organizations?

Mr. COFFEY. I would doubt the advisability of doing that.

Mr. HOUSTON. Does our system of primary and secondary education tend to keep the children on the land after they have finished their school education?

Mr. COFFEY. Of course, we do not want to keep all of them on the land, and it is quite natural that a number of them should leave the land. Speaking for my own State, I will say that I would like to see more agricultural work done in the secondary schools of our State or in the graded schools.

Mr. HOUSTON. In other words, there are some things that should be taught in the primary and secondary schools that are not now taught there?

Mr. COFFEY. Yes, sir. In other words, why would it not be just as well to teach the botany of corn as the botany of a fern or the botany of some wild flowers? Why is it not possible to give the principles of botany through agricultural crops rather than through something that the child is not interested in?

Mr. HOUSTON. That is a matter that should be developed by the States altogether, is it not?

Mr. COFFEY. Yes, sir.

The CHAIRMAN. Mr. Coffey, I appreciate the importance of an educational system and research work, and this committee has reported favorably every bill that has been presented with that object in view. I can not recall a single request made of the committee along that line that has not been fully met. Now, we were discussing that matter a few years ago, and we were told that all that was necessary was more education. A commission was appointed to devise some plan for that kind of work, and a plan was reported back to the committee. A bill was suggested, and it was agreed to and reported out by this committee without the dotting of an "i" or the crossing of a "t." We were told that that measure would solve the problem. Now, I doubt if you could find one in ten thousand that has knowledge of such a bill having passed the House. That was the result of providing this panacea or cure.

We passed the bill which was suggested, and money has been provided to carry out the purpose. Now, we are all for cooperative marketing, but, unfortunately, we are told that the cooperatives are not always successful. Representatives of cooperatives have frankly told us that the plan has been a failure. That was not because of any lack of educational or research work but it was due to other reasons. We have been told that many of them were inefficient. As I understand it, that is quite often true. A large percentage of them have failed, while a few have been successful. There must be some opinion about that. Of course, you must have good leadership for them if they are to function. I believe that there are many of them that do function. I believe that a man of the type of Mr. Conn, who appeared before the committee yesterday, must be very efficient in the operation of such a business. He must be

very successful. His organization has a membership of 75 per cent. However, he says that you must get all of them. You can not get them by educational research work, or at least he could not do that. The trouble is that they must effect the cooperation 100 per cent. That is the trouble.

Mr. COFFEY. Yes, sir; that is the great trouble.

The CHAIRMAN. Now, accepting everything you have said, what would you suggest could be done in bringing about effective cooperative marketing?

Mr. COFFEY. Well, I would not say that it is a failure in my State. I would not say that cooperative marketing is a panacea for all the ills of agriculture. I merely said that we were in it and that we needed such things. Of course, I am not trying to substitute education and research work for everything else.

The CHAIRMAN. We are in agreement as to that.

Mr. COFFEY. I think we will have to admit that the sound development of cooperative marketing is a matter of years. I do not know how to force it and make everybody come through. There is too much individualism in the United States to do anything like that. I might illustrate that by the Land o' the Lakes cooperative, which is recognized to be highly successful. That cooperative is the result of gradual and constant growth. Mr. T. L. Hedrick has built this organization up in two ways: First, as a butter-manufacturing cooperative, and second, as a butter-selling corporation. They have operated over a period of 25 years and have been highly successful in each cooperative. They have been highly successful in stabilizing that industry, and they are teaching the men engaged in that industry this system of butter manufacture and of butter sales. They came together and formed an institution which is now doing an annual business of $50,000,000. That is an organization that has great manufacturing and great marketing powers, the results of education and training. I do not know of any other way by which to build up a cooperative.

The CHAIRMAN. Sixty years ago on the farms in Wisconsin and at the little red schoolhouses, they were discussing this matter of cooperative marketing. They were discussing it then more than they are now. That was 60 years ago, and representatives of those cooperatives come here now and admit, or they practically tell us, that they are not successful. Reports of them can be found in the secretary's report. It is said that 55 per cent of them have gone out of business. I have invested in 15 or 20 of them, and there are only 2 or 3 of those left.

Mr. CLARKE. Mr. Chairman, will you permit an observation right there? I do not think that is quite fair.

The CHAIRMAN. Many of them are going down because of the fact——

Mr. CLARKE (interposing). I do not agree that it is a fact that they are going down. I want to say this, that the dairy league, of which I am a member, did a business last year of $84,000,000. It has not proven to be all that we expected. It has not reflected a high price for the producers of milk, but what it is doing is of inestimable value to the industry.

The CHAIRMAN. They have not been successful. Now, can you suggest anything, Mr. Coffey, that would be helpful in making the

cooperatives effective, outside of what has been suggested here by Mr. Conn, namely, to effect a 100 per cent control of the production?

Mr. COFFEY. No, sir.

Mr. ADKINS. The question of the advisability of making an appropriation available and authorizing this board, if created, to go out and promote cooperatives, has been brought up here several times. You are familiar with the cooperative movement out in our part of the country during the last 25 years, and I just want to ask you if you know of any instances where the high-powered salesman has gone into a community, where there was no local demand for a cooperative, and promoted one that has succeeded?

Mr. COFFEY. Not in my State.

Mr. ADKINS. So your judgment would be that a provision of that kind, for general promotion, would not be an advisable thing for the committee to recommend?

Mr. COFFEY. No, sir.

Mr. CLARKE. If you had the funds for research work, could you not help to prevent some of this very tragedy in cooperative movements by ascertaining the facts, by scientific surveys, so as to determine whether cooperatives can or can not adequately function, if properly managed, in any given area?

Mr. COFFEY. I think so, most decidedly; yes, sir.

(Thereupon, at 12.35 o'clock p. m., the committee took a recess until 1.30 o'clock p. m.)

AFTER RECESS

The committee reassembled at 1.30 o'clock p. m., at the expiration of the recess.

Mr. PURNELL (presiding). We will now hear from Mr. Amory.

STATEMENT OF ROBERT AMORY, BOSTON, MASS., REPRESENTING NASHUA MANUFACTURING CO., NASHUA, N. H.; THE BOSTON MANUFACTURING CO., WALTHAM, MASS.; AND NEW BEDFORD SPINNING CO., NEW BEDFORD, MASS.

Mr. PURNELL. Please state your name and residence, and whom you represent.

Mr. ARMORY. Mr. Chairman and gentlemen of the committee, my name is Robert Amory, of Boston, and I represent three cotton mills directly—the Nashua Manufacturing Co., of Nashua, N. H.; the Boston Manufacturing Co., of Waltham, Mass.; and the New Bedford Spinning Co., of New Bedford, Mass.

I have appeared here at the suggestion of one of the members of your committee to show that many of the cotton manufacturers are interested in the subject of farm relief.

We are naturally interested in the farmer as one of the principal sources of the country's prosperity, and, further, that the farmer is our best customer. We are especially interested in the cotton farmer not only as a customer but particularly as the producer of our raw material. We wish to see them prosperous so that our source of supply may be reliable and so that our raw material may improve in quality.

I claim no knowledge whatever of cotton farming, or of any other kind of farming, but so eminent a world authority as Professor Todd of Liverpool, England, has repeatedly stated that the quality of American cotton is deteriorating, and our own manufacturing experience bears this out.

There has been a great deal of remarkably good work done by the cooperatives, particularly, I think, the Mississippi Cotton Growers' Association, the long-staple association, who have not only made great steps in the improvement of quality and better marketing, but have so standardized grades and staples by their numbers that their numbers are to-day, I think, the best standards of staple cotton existing anywhere in the world, and are commonly used as a measure of cotton.

The remedy which some of us would suggest is that the Federal Government undertake, at its own expense, the eradication of the boll weevil, and further, in this connection, that the Federal Government should control the seed planted over certain wide districts. I believe one of the principal reasons for the deterioration of American cotton to be the boll weevil, and, secondly, the lack of seed control. These two causes result in unsatisfactory profits for cotton farmers and high cost of production even in the richest and most suitable cotton lands, such as the Mississippi Delta and the Sea Island area. The boll weevil is not within the control of individual farmers, or even groups of farmers, and is an enemy for which he is not responsible. Thus far the farmer has necessarily fought the weevil through early-maturing seed, resulting in poorer quality cotton and of shorter staple, and, incidentally, of larger production. With the possible exception of Egypt and the Sudan, there is no place on earth so well fitted to grow the quantity of the proper quality of cotton as the American Cotton Belt.

The valor of ignorance causes me to assume and believe that the Nation which conquered the mosquito in Panama can conquer the boll weevil. If the Federal Government controlled or eradicated the boll weevil and controlled cottonseed distribution, I believe the American farmer would raise better cotton in sufficient quantities at a low enough cost to be prosperous.

The world tendency is for lighter cotton cloth. Lighter cotton cloth contains less cotton per yard, and therefore can stand higher priced raw material; but these lighter cloths must have longer staple. To-day only about 10 per cent of the American cotton crop is of a staple of which we should be proud.

The finest cotton grown in the world was the sea island cotton grown on the islands along the South Carolina and Georgia coast. This cotton, of a long, silky, strong, smooth staple, made beautiful fine yarns, cloth, and sewing thread. Seventy-five thousand to one hundred thousand bales per year were raised. In 1915–16, the last big year, 118,000 bales were grown. Then, with the advent of the boll weevil sweeping across the country, east from Texas, the sea island crops grew smaller and smaller until in 1927–28 only 148 bales were grown.

More or less coincidentally with this decline came the growth of Sak Egyptian cotton, bred from sea island seed. This cotton and the other Egyptian cottons—the uppers, which are shorter—constitute almost entirely the production of Egypt. Of these Egyptian

cottons the 1928–29 crop was 919,000 bales. Their bales are equivalent to a bale and a half of ours, which makes approximately 1,400,000 bales of American cotton. Their cotton is, I believe, grown under strict Government supervision and direction. The distribution of seed is controlled, and no shorter or inferior cotton is allowed to be planted in any district than that assigned to the district. This prevents deterioration of seed and quality through cross fertilization.

The Government relentlessly pursues the pink-bollworm pest.

This Sak now occupies the place in the world formerly held by sea island cotton. The only cotton grown in the United States of the same variety or a similar variety is the Pima, or American Egyptian, grown in the irrigated districts of Arizona and California. This Pima cotton, due to some condition in climate or soil—I know not why—is not so fine in diameter of fiber, and is of a harsher feel.

The extinction of sea-island cotton by the boll weevil was caused by the length of time each year required to mature this fine long staple, thus giving the boll weevil plenty of time and many generations in which to do its work. Also the sea islands are wet, heavily foliaged lands, where the weevil easily hibernates between crops. The weevil now can only be restricted by planting early maturing varieties of cotton, which, unfortunately, produce this short-staple fiber.

A very similar story can be told of the benders or long-staple cotton grown in the Mississippi Delta. There a slightly better fight was possible against the weevil, as the forestation and foliage is less.

Long-staple cotton can not readily be overproduced, except possibly in one year; that is, by a sudden rise in production. If the difference in cost of production over shorter cottons can remain small, the longer staple cotton simply displaces the next shorter variety. It runs better in the machinery, and for the same number or count of yarn it is cheaper to manufacture, besides producing a superior yarn or cloth or thread.

The reason it might be overproduced by a sudden jump in any one year is that mills can not readjust their machinery in a few minutes to handle a longer fiber; but if they felt sure of a constant supply at a reasonable and steady price for several years, I think you would find that the increase in consumption of the longer cottons would be astonishing. The quality of American cotton cloths would be improved, which would in turn react in increasing the demand for these cloths.

Here, it seems to the manufacturer, is a splendid opportunity for real constructive aid to the farmer, not at the expense of some other industry, but indirectly aiding also that industry.

The farmer can not be held responsible for the boll weevil, which is literally an epidemic. The individual farmer, and even the cooperative, can not easily prevent seed deterioration through a few acres being planted with inferior seed and cross fertilization taking place.

The cost of raising sea island and benders under boll weevil conditions is so great that any price that the farmer might obtain would tend to restrict the demand for them.

It seems to some of us manufacturers that the real answer to the situation is for the Government or some agency thereof to offer aid to the sea island territory or certain districts thereof or to certain

districts in the Delta under proper conditions. The aid should be for the Government agency to undertake at its own expense the eradication of the boll weevil in that district by poisoning or other control. The Government agency should provide all of the seed for each district at a reasonable price. The conditions should be that all the farmers in each district carry out the instructions of the Government agency as to cleaning of fields, burning of stalks, and so forth, and should plant no other seed than the Government seed in any district.

This same work could be carried out in the Delta or in other sections of the belt. It should produce yearly improvements in quality of cotton raised. The cost of raising without the boll-weevil burden should be low enough to allow of a good return to the farmer. The mills, confident of a steady supply, would gradually increase their demands. A sudden increase due to fine growing weather in any one year could be cared for by some of the stabilization schemes, but I doubt their necessity, for without the boll weevil the supply would not vary so violently.

The plan of relief should again make prosperous a large number of farmers in two of the sections of the United States now poorest financially and yet the richest in soil and climate. It seems to us far from a subsidy and as legitimate a function of the Government as irrigation projects, road aid, or even public health.

Mr. ASWELL. You suggested that the Government undertake to control the boll weevil. Is it not a fact that the Government has been putting forth every effort for many years to control the boll weevil? What else could the Government do that it is not now doing and has not already done?

Mr. AMORY. Only, as I see it, by taking a certain district and agreeing to do the job themselves in that district, provided the farmers, all of them, carry out their side of it.

Mr. ASWELL. The Government is doing that now in all the cotton area.

Mr. AMORY. Only by advice and suggestion.

Mr. ASWELL. Oh, no. They have experimentations, and they are spending money every year.

Mr. AMORY. In the experimentations, but they do no direct poisoning or anything of that sort.

Mr. ASWELL. Oh, yes; they do in my own State. But they have never selected a district, because the boll weevil travels many, many miles. I do not know just what you mean by a district. I know that they made a zone from Texas across the entire State of Louisiana and the whole State was quarantined. The boll weevil flew across the State line or were drifted by the winds. It is not clear to me how the Government would locate a district and destroy the weevil there before they would come in from the other section.

Mr. AMORY. It would have to be a very large district at a time without question.

Mr. ASWELL. It is not clear to me what you mean by the Government taking control of the boll weevil. It is carried in an item in every agricultural appropriation bill now.

Mr. AMORY. I believe it would be very expensive to take an area, but I believe it could be done if they went after it by the same proc-

ess by which they went after the mosquito in Panama; that is, taking the whole section, or half the State.

Mr. ASWELL. Half the State would not do any good. An area to do any good would have to be greater than the whole State, as a practical proposition. I live in the midst of it.

I think you are correct in one point; that the Government should take charge of the quality of the seed. I think that is a highly important matter. But for you to say that the Government should take hold of the boll weevil is new to me, because we have been hammering at it since the boll weevil appeared in Texas.

That is all.

Mr. JONES. Mr. Amory, I was interested in your statement, especially because of the interest that you manifest between the manufacturer and the grower. The interest is, at least in degree, common all along the line in any commodity. One can not permanently prosper to a proper degree unless they all do.

I observe that you spoke of the deterioration in quality as being due to the boll weevil and to one or two other causes. The boll weevil has had something to do with it, but I will tell you what has had more to do with it in my country than any other one thing, and that is the fact that the local buyer will not pay appreciably more for the higher quality of cotton than he pays for the lower quality. That is, the local buyer frequently is not a good grader, or he will take advantage of the grade. The man who grows a better grade of cotton does not get enough to justify the additional work.

For instance, I have some brothers and brothers-in-law who are engaged in cotton growing. Some three or four years ago they undertook to grow a higher type of cotton. The local buyer would pay them no more or not much more than for the poorer type. He just took it up and looked at the cleanliness of it, and paid little attention to anything else, and made them practically the same bid. Naturally a great many people go back to what they call half-and-half cotton, which is a short staple, but which produces a great quantity of lint; and they make more money. Where the local buyer buys a higher type of cotton at the same old price, there is no way of getting it reflected back to the grower. He gets cheated somewhere along the line on that program. It is not that they do not want to grow the better type of cotton, but so far, in many instances, especially in the small marketing places, they have not been able to get the advantage reflected back to the grower.

I have no doubt that the mills pay a higher price for the better class or better quality of cotton; but somehow, at least at present, in many places in our section of the country we have not been able to get the local buyer to make the necessary distinction. He probably makes more where he buys a higher type of cotton, but he does not pay the additional price. There were a number of them who started in a while ago to grow cotton with special seed, and some of them paid as high as $3 or $4 a bushel, and even as high as $6 per bushel, for the higher type of seed. But somehow they get hooked when it comes to the actual sale of it.

Mr. AMORY. I see no real answer to that except the cooperatives. They have succeeded in doing it pretty well.

Mr. JONES. Yes; they have; and that has been one of the inducements to go into cooperative organizations.

Mr. AMORY. But, speaking of the half-and-half cotton, there are very few mills that will even use it. Most of it has to be exported. It is not as good for spinning as the low-grade cotton raised in India.

Mr. JONES. No. The quality and type of cotton has gone off, in a great many sections down there; because they can take a better grade and take 1,450 or 1,500 pounds of seed cotton and make a bale, but they can take from 1,250 to 1,350 pounds of the half-and-half cotton and make a bale out of it, and they will get as much lint as they would on the 1,500 pounds of the other cotton, and while the price might be off a quarter of a cent on that, it would net them more than the better type of cotton. It is pretty hard to deal with that unless we get a better grading system or get a system of Government standards that are lived up to, and unless, if it goes through and is graded higher, it is reflected back to the grower. Unless something like that is done, it is pretty hard to get that type of cotton grown.

Mr. AMORY. The mill difference to-day is nearly 3 cents a pound between half-and-half and inch to inch and a thirty-second.

Mr. JONES. I know that the year before last a friend of mine in my old home town got half a cent difference between some cotton for which he paid $5 a bushel for the seed—longer staple and better quality—and his half-and-half, and he quit and went back to his half-and-half. I just used the half-and-half as an illustration. There are other cottons of lower quality.

I am very much interested, however, in the program you suggest and the interest that your people are showing in the solution of the problem. I just wanted to call your attention to that difficulty that we are having down there.

Mr. AMORY. One of the reasons for the smaller yield on the higher staples is, of course, that the boll weevil gets at them more. The half-and-half comes through ahead of the boll weevil.

Mr. JONES. Yes; the earlier cotton is about the only real preventive, or anything like a preventive of the boll weevil.

Mr. ASWELL. Has the Government done anything for the boll weevil in your State?

Mr. JONES. Yes; the Government has done considerable work. The State agricultural department has done considerable work. It is generally conceded that the best method of trying to circumvent the boll weevil is by planting an early variety of cotton.

Mr. FULMER. Mr. Amory, do you happen to know the length of the cotton—the staple—that you use in your mills?

Mr. AMORY. We use various staples, all the way down from inch and a quarter to fifteen-sixteenth, and sometimes seven-eighths.

Mr. FULMER. In other words, you mix that cotton?

Mr. AMORY. No; we never mix it. It is run in different sections of different mills, for different purposes. We can not run mixed staples with any satisfaction.

Mr. FULMER. Some of the mills do mix it.

Mr. AMORY. Well, they do not do it wisely, I think.

Mr. FULMER. I agree with Mr. Jones that the farmers are not getting the proper grades and staples for their cotton, and therefore they do not try to plant the improved seed. In South Carolina, for instance, we have now a long-staple cotton seed that is an inch and

an eighth, that will mature practically as early as the other cotton; but it will take, for instance, 1,500 pounds of seed cotton compared with 1,200 pounds in the shorter staple to make a bale of lint-cotton 500 pounds. It is more trouble to pick that type of cotton, and when the farmer goes to his local market, the only consideration he gets in selling his cotton is that they look at the color of it, and the farmer with three-quarter-inch cotton that will grade middling will get just as much as a farmer with inch or inch and a sixteenth, if his cotton will grade middling.

Now, I differ with Mr. Jones as to the matter of the buyer at the local point always trying to under-grade cotton so as to make money, perhaps, out of under grading. It is done largely because he has got to buy so as to deliver. In other words, after this cotton passes out of the hands of the local buyer, who buys from the farmer, every bale of that cotton is probably graded and stapled and pooled and sold to the various mills of the country, whatever types of cotton they may want—7/8-inch, 1 1/8-inch cotton, strict low middling or middling grade.

I would say, Mr. Amory, that your people should be very much concerned about any scheme that the Congress might be able to pass that would tend to stabilize the price of cotton, because I would think that in a market that is fluctuating anywhere from 1 to 2 cents a pound within one or two days, it would be mighty hard for your mills to adjust themselves to such a speculative market so that you would know just exactly what to do in buying cotton and selling your product.

Mr. AMORY. That is true. There is no question about it.

In regard to your question as to having inch and an eighth cotton in a seven-eighths district, and not being able to get the money for it, part of that reason is that that district is known as the short-staple district, where there is a lot of seven-eighths inch cotton. I am not referring to your own particular district. Therefore it is hard to sell inch and an eighth from that district, because the people will not believe it. A buyer from a distance does not want inch and an eighth cotton from there, because he does not believe it is going to be inch and an eighth. So it is very important to have different sections concentrate on one type of cotton. Then they will get a good price for it.

Mr. FULMER. I agree with you on that; but I think the control of the seed by the Government, so as to have a uniform standard of cotton staple, would be an ideal situation for the country; because a great many of the farmers are not going to try to improve their seed, and we have that mixed type. I had a man from Louisiana come into my office some time ago who made this statement:

> Because of the great number of bales that you produce in South Carolina lower, for instance, than seven-eighths, we make a lower bid or limit, knowing that we are going to get quite a lot of this short type of cotton.

And the farmer loses the premium on the longer staple, and the buyer gets the advantage of it. But it is because they grow so much of short type of cotton.

Mr. AMORY. Liverpool and other sections of the world in buying cotton will want cotton shipped from a certain district, because they know the character of the seed, and they will not pay the premium,

for instance, for long-staple cotton from South Carolina, because they do not believe it is there. It may be, but they will not believe it.

Mr. FULMER. Do you agree with me, Mr. Amory, that if we had some scheme whereby the agricultural interests of the country could get a fair price for that which they produce, something above the cost of production, which would restore their purchasing power, that would be a wonderful advantage to your mills to-day? In other words, the reason, for instance, that your mills are running short time is because thousands of people who would buy the output from your mill are unable to buy, because they have not got the purchasing power. They are not getting a fair price for that which they produce.

Mr. AMORY. We feel very strongly for you on that point, because we ourselves have suffered so much in the last four or five years with very bad business and utter inability to make any money, that we not only have distinct sympathy with the cotton farmer, but we would like to see something to help him and us at the same time. We both need it.

Mr. FULMER. Have you given any thought to the net-weight legislation that we had before the Congress some time ago?

Mr. AMORY. I have always been a strong believer in the net-weight bale—net weight and high density—as the only proper packing of a bale, and a saving in shipping. I doubt very much if legislation is capable of accomplishing that object. Every other country in the world has net-weight bales and high density. We have not. No other country that I know of has legislation on the subject.

Mr. FULMER. What do you think about the tariff on jute and jute products, so as to allow us to substitute cotton for jute products imported into this country?

Mr. AMORY. That is so complicated a subject, affecting the substitution of one thing for another, that I really do not feel competent to express an opinion on it at all. It is a little too difficult. I would rather not make a statement offhand.

Mr. LARSEN. Mr. Amory, did you ever live in the long-staple cotton-producing section, or were you intimately associated or acquainted with it?

Mr. AMORY. I have been there many times, but I have never lived there.

Mr. LARSEN. While the long-staple cotton was being produced to a considerable extent in those localities?

Mr. AMORY. Not in the sea-island section. I have been in the Delta when it was being raised.

Mr. LARSEN. You mentioned one thing that I think is a pretty common error; that is, as to sea-island cotton being grown on the islands off the coast of Georgia and South Carolina. I happen to have grown up in that section, and, while I have heard or seen statements similar to yours several times, I would like to correct it at this time. Certainly, for the past 50 years it never was grown on the islands to any extent, but was grown on that section that we knew in Georgia as the coastal plains, and extended back from the coast line and island section from a few miles to something like 50 or 75 miles in many instances. In only a few instances was it grown on the islands at all. Statements such as you make are probably due to the fact that the seed originated or such cotton originally was

grown on some of the islands. Georgia and South Carolina was one of the greatest producing sections, I believe, in the world at that time, was it not?

Mr. AMORY. The best cotton ever grown in the world. I am sorry not to have made that clear, because I knew that it was grown on the edge along there.

Mr. LARSEN. Of course, it became practically impossible to produce such cotton with the advent of the boll weevil. With reference to a practical solution of the boll-weevil difficulty, I do not suppose you have anything more than that suggested by the Government.

Mr. AMORY. No, sir; I regret to say that I do not know of anything, but I believe that they can do it.

Mr. LARSEN. It seems that the only practical method—and I do not know that it is a practical method—would be to discontinue the planting of cotton for a year at least and destroy every stalk during that year. That is about the only one that has ever been suggested as one that would absolutely do away with the weevil; you see, the weevil can only live for a year without cotton to feed upon and he therefore would be forced of necessity to disappear, if it were possible to destroy every cotton stalk for at least one year. Probably that is not possible. Then, after we got the weevil all cleared out, he would probably come back from Mexico, just as it came in the first instance.

I think it is very comendable of you to have a friendly interest with the producers. Do you not think when the producer suffers from lower prices, that the manufacturer of the cotton goods also has to suffer, because of the nonconsumption of the manufactuer's product in that territory?

Mr. AMORY. There is no doubt about it. We have suffered for four or five years and we know it. In fact, the 1926 reports show that we are even worse off than the farmer. I do not know whether it is true or not, but we are very sick.

Mr. LARSEN. In other words, overproduction results in a corresponding underconsumption in the locality where the product is produced?

Mr. AMORY. Yes.

Mr. LARSEN. I think probably one difficulty, speaking of the grading of the cotton, is due to the fact that in the locality where I live particularly, and I think in most others, the buyers who are engaged in purchasing from the producers themselves, in many instances, are not capable of grading the cotton.

Mr. AMORY. Yes.

Mr. LARSEN. And they look largely to the color of the cotton and disregard the length of the staple altogether.

The suggestion that you made that the buyers did not believe that they could get certain staples from certain localities, and therefore did not look for those staples there, seems to me to be a condition that is brought about by this defective system. Unless you give a man credit for what he has grown under some system, you will never encourage a system that would result in producing a longer staple cotton. It is necessary to have competent graders, therefore, it seems to me.

With that preliminary statement, do you not think it would be a good plan for the Government to set up some agency for the official

grading of the cotton—Government graders, weighers, and so forth? We have had this suggestion already.

Mr. AMORY. I have not given any thought to that side of it. I had assumed that the cooperatives were working that out. But some method of properly grading it is very important, and grading it not only as to length and proportion of dirt, but in addition to that, the character of the cotton.

I do know there is a great deal of difference between Sea Island cotton and Pima, or between seven-eighths cotton grown in the upland districts and seven-eighths cotton grown in the Delta or on the coastal plains. There has been no attempt made to differentiate between hard-bodied cotton and soft-bodied cotton.

Mr. LARSEN. In other words, the grading system that we use now does not deal with the character so much?

Mr. AMORY. No; but it should. Long, thin cotton is no good. Seven-eighths cotton, light bodied, is of no value.

Mr. LARSEN. We need an official grader, then, and if you are going to buy cotton on its character, it ought to be graded as to character as well as to other things.

Mr. AMORY. Without question.

Mr. LARSEN. As it is at present, the cotton is frequently refused by the mills because it does not meet the character of the product that they are manufacturing.

Mr. AMORY. I think that almost all of the well-posted mills who use long-staple cotton buy their own types. They set up a type and they say that the cotton must equal that type. They will not use the Government system of grades for the reason that it does not include character.

Mr. FORT. Mr. Amory, your idea on this question of trying to control the boll weevil is somewhat based on what we did last year on the pink bollworm, is it not? That is, to set aside a district and induce the farmers in that district to follow a Government program?

Mr. AMORY. I had not gone so far as to dare, from my knowledge of the case, to make any specific recommendations. That was one of the things that inspired this thought in my mind.

The second was the work of the Engineers of the Army in Panama and the third is that something of that nature has been done in Egypt. Whether it is poisoning, or whether it is blotting out certain areas, or setting up a fire zone, I would not feel competent to answer. But I think the experts in the Department of Agriculture, if set to work on a district, could astonish us, not by giving advice and creating experiment stations but by being given a certain district and told that that is what they had to do, kill off the boll weevil. They would proceed to do it in a little while.

Mr. FORT. You are basing your suggestion in part on the fact that the original seed from which all Egyptian cotton has come was taken from our sea-island district, are you not?

Mr. AMORY. That, and the further belief that that seed in Egypt will deteriorate. I believe it is true that over a period of years every Egyptian variety has gone downhill. They have had to pick it up again and rebreed it. We have seen Mitafifi go to pieces in our lifetime, and I think the best place to breed seed in the world is our own Delta and sea islands. I do not believe there is any other place equal to it.

Mr. FORT. You would like to see the Government in some form assist in the improvement of the seed quality?

Mr. AMORY. Yes.

Mr. FORT. That is a matter that could be handled through the cooperative associations, is it not?

Mr. AMORY. It could be if some general restrictions were put down that no other than a satisfactory seed could be used in a certain district. If there are two or three farmers not in the cooperative, they can ruin the seed in the district through cross-fertilization and planting poor seed in the district.

Mr. FORT. In regard to this question of price that was raised first by Mr. Jones and some others, as to the different prices on different lengths of cotton coming from the same district, you do not have that difficulty on cotton coming from the Mississippi Delta where they have standardized grading, do you?

Mr. AMORY. That grown by the Mississippi cooperative—I have forgotten the exact name of it, Mr. Stone's outfit—is perfect. We do not need to sample it. You speak of Mississippi eighths and it means cotton of a certain style, type, and character, and you can be sure that it is the same as the eighths you got year before last. You will hear a mill man ask, "Is that Mississippi Cotton Growers' Exchange eighth?" And if it is, you do not have to talk any more about it. It is the most perfectly graded stuff I have ever seen, and there is nothing else like it in the world except possibly the Egyptian.

Mr. FORT. And that is the result of cooperative effort is it not?

Mr. AMORY. Absolutely.

Mr. FORT. And that is of service to the mill as well as to the grower?

Mr. AMORY. Very great service; yes.

Mr. FORT. Do your mills pay for the length you get?

Mr. AMORY. Yes; we do. We will not take half and half at all.

Mr. FORT. Apparently the producer does not get paid for the length that he grows in some cases.

Mr. AMORY. I wish he were paid nothing for half and half. I know we will not accept it.

Mr. FORT. The questions that have been asked here indicate that the local buyers do not do as you do.

Mr. AMORY. That is true.

Mr. FORT. That is, pay for the length that they get.

Mr. AMORY. That is true.

Mr. FORT. Do you think any part of that might come from the fact that one single standard staple length has been used as a basis for all grading and that there is no recognition on the exchanges of any different lengths?

Mr. AMORY. Yes. I felt it would help if the exchanges would stop recognizing seven-eighths as the best length, and would take inch and a thirty-second, which is a good, honest, American staple; and not seven-eighths, which is just about equal to China's and India's.

Mr. FORT. The effect of it is that the local buyers can quote the price on the New Orleans Exchange for seven-eighths the day before, and fix the buying price with that in mind, in the mind of the seller?

Mr. AMORY. Yes; and even further than that, if a buyer comes in and you say the market quotation for seven-eights is 21 cents, and he says, "Well, this is not seven-eighths, it is inch," and you say,

"Well, I will give you a quarter of a cent a pound more," it may be all he can get. But if your price for inch and a thirty-second is 22 cents and he says it is not inch and a thirty-second but is seven-eighths inch, and you say, "I will only give you 2 cents less," the trade starts from a better basis. Further than that, the man goes home feeling that he has been penalized for raising a short staple rather than feeling that he has not been paid for raising the higher staple, just as Mr. Jones stated.

Mr. FORT. So that from the mill standpoint, as well as that of the grower, some further standardization of the basis of trade in raw cotton is desirable?

Mr. AMORY. I believe so.

Mr. FORT. And you feel from your experience in dealing with the cooperative associations that they are helping to do that job?

Mr. AMORY. Without any question, they have done a tremendous work and done it under quite a little difficulty.

Mr. FORT. And you, as a miller, would be glad to see us take steps to further help the development of the cooperative marketing associations in America on sound lines?

Mr. AMORY. There is no question about that; I certainly would.

Mr. ANDRESEN. How much cotton is imported into this country from the other cotton-growing countries of the world?

Mr. AMORY. I think it is about 200,000 bales of cotton a year, somewhere around there.

Mr. ANDRESEN. Would it be of any advantage to the American cotton producer and textile manufacturer to have a duty on cotton and an increase in the duty on textiles?

Mr. AMORY. Out of the 200,000 bales that come in—I have not the figures exactly in my mind—there are 60,000 or 70,000 bales of Indias and Chinas, which is short cotton, and is only bought for a sepcial purpose and could not be substituted for anything else. So that protection would not have any effect on that.

Then there are about 35,000 bales of Sak cotton which is used for sewing thread. That would have to come in anyway. So that protection would hardly be of any use to an American cotton which is not like the Sak or used for the same purpose. It would simply raise the price of sewing thread.

There is other cotton, about 125,000 bales of Egyptian uppers, which does compete with the Mississippi cotton, though it is quite different; is finer and silkier and softer and will not be generally used for the same purpose. In some cases it will.

I rather doubt whether a duty would do very much good in that range, because quite a little of that cotton is exported from that Mississippi country, and quite a little Egyptian cotton is brought in. A duty would probably not raise the price of Mississippi cotton much. It would still export 10 or 25 or 50 per cent of its output.

Mr. ANDRESEN. There is no American cotton that can be substituted for the imported cotton at the present time?

Mr. AMORY. If my perhaps Utopian scheme worked and you restored the Sea Island, then you have got something right there that would take care of the Sak in a minute. It is a better cotton than the Sak and it would bring more money than the Sak.

Mr. ANDRESEN. That is all.

Mr. ASWELL. Mr. Chairman, may I ask just one question?

The CHAIRMAN. Certainly, without objection.

Mr. ASWELL. What can be written into this proposed bill that will put into effect the suggestions that have been made in this discussion of the last hour? What would you put into this farm board bill?

Mr. AMORY. Being a manufacturer, I can only give you my opinion as to whether it would do good. I hesitate to think that I could do as well in writing a bill as you gentlemen. You know something about it. I would not dare suggest anything.

Mr. ASWELL. That is not answering the question exactly. I agree with you that we can do better than you can, but my thought is that we have been discussing here for an hour nearly this very highly important question of seed and the development of a better staple, and so forth. But would you put into this bill authority for this farm board to proceed to act along these lines with reference to this particular matter?

Mr. AMORY. I do not want to seem to dodge your question, but I have not been through the rest of these hearings. I do not know just what kind of a bill it is or what is proposed.

Mr. ASWELL. I am just wondering who will take charge of this matter of eradicating the boll weevil and taking care of the matter of staple lengths, and so forth. Would you put it under this farm board, or would you have a separate organization for that purpose?

Mr. AMORY. I really do not know enough to tell you. I would be glad, if I could, to study it; but at this moment I do not know.

Mr. ASWELL. That is all.

The CHAIRMAN. There are no further questions. Thank you very much.

The next witness is Mr. C. O. Thornberry.

STATEMENT OF C. O. THORNBERRY, INDIANAPOLIS, IND.

The CHAIRMAN. State your name and who you represent.

Mr. THORNBERRY. My name is C. O. Thornberry, research engineer, of Indianapolis.

I have a plan that has been worked out that may be of some use in helping to solve this problem.

It might be of just slight interest in this connection to know how we approached this problem. In one sense it was accidental. In another sense it was, you might say, the reaction of a naturally inquisitive mind as to what is all the fuss about, starting with the developments of 1928, along with the primaries and the election and what not.

We approached the problem from purely an analytical point of view; no financial, no selfish, or fanciful ideas obstructing us.

It was tackled without bias or political relationship.

We believe we are discovering these things, and when we say that we just mean to have you go along with us in looking over these fundamental things and seeing if we have discovered anything.

First, we believe we have discovered the factors involved; we mean the important ones, both the pro and con of the farm-relief question.

Second, we believe we have discovered the reasons why it is such a difficult problem; and maybe we will enumerate some of them.

Third, we believe we have discovered a practical way to simplify it. That may sound presumptious, but we want you to go right through with us and see if we can not verify that.

Fourth, we believe we have discovered the reasons why the agricultural interests can not agree upon a remedy.

Fifth, we are discovering, we think, why any committee comparable to your in size can not agree, even after years of study.

Sixth, we may be discovering why any group, say, of five intelligent, well-meaning men, can not agree.

Further, and more important, we believe we are discovering a simple method to bring about a common understanding.

Eighth, a plausible way to develop a solution and then finally the actual plan, workable and permanent.

Then it remains to you gentlemen, when you are viewing the matter which we desire to review here, to say whether we have accomplished any one or all of those aims.

Mr. CLARKE. Bring forth the child, Brother!

Mr. THORNBERRY. One of the most amusing things in working on this problem has been that we have discovered men in all walks of life reviewing the problem either too near or too far away or in too greatly scattered areas, getting lost in particular details, localized details.

You know, the author who wrote that story, The Great Stone Face, saw an image on the side of the mountain. He discovered if he was too near the vision was lost sight of, and he could see only the individual fragments on the mountain; if he was too far away, likewise, the image was gone.

If you gentlemen will forget—I know you have been burdened for months, possibly years—if you will forget some of the details and try to place yourself without the agricultural industry for a few minutes and view the whole picture, perhaps we can show you a piece of machinery that will utilize thousands or millions of the facts that you have uncovered. Whether we do or not, that is our lookout.

The first thing we want to put before you is just a very few fundamentals, not because you have not heard them, but because we just want you to summarize and forget a few details about cotton or wheat or oils for a minute and see whether we are correct on our basic fundamentals.

First, gentlemen, we have 20 related items to the agricultural industry without any one of which the remedy would be short lived and with all of them it must be permanent.

If agriculture is a sick patient, a very sick patient, one doctor or one remedy will not help. If it has typhoid, pneumonia, perhaps appendicitis, it stands to reason that you must take into account all the symptoms, all the related factors, or else fail in the end.

Just to review briefly and to have it so that you can check me up on this if I stray from the mark, we first ask: Why farm relief? Shall we assume that it is needed? First, for the farmer. If it will reestablish the whole agricultural industry, we know with one accord you would say yes.

Shall we assume that it is needed for the consumers?

And here is the most vital part of this whole problem. If it will, first, stabilize costs by eliminating all possible wastes.

Second, assure lower prices ultimately by most economical farming and marketing practices.

Shall we assume it is needed for the Government in order, first, to best preserve and develop our national resources?

You have heard enough even to-day to substantiate a very plausible argument for that.

Second, to be best prepared for a sudden international crisis.

Then let us take stock of the available facilities for solving this problem.

First, we have plenty of good land.

Second, there are over 6,000,000 energetic farmers in the United States.

Mr. CLARKE. What kind of farmers?

Mr. THORNBERRY. Energetic. They are sadly disorganized.

Next, a most powerful and intelligent National Government, capable of wise leadership.

Then let us follow those items of facilities by evolving the best plan possible to exercise that quality of leadership, and then put the plan into operation as fast as possible, consistent with safe and sound policies.

Gentlemen, I want you to look over with me some of the things that should be in all farm-relief plans.

We believe there are more, but here are a few of them. This does not follow my pet plan or anyone else's. This is a list of fundamentals that I say are desirable to any permanent plan.

If we are going to agree on a plan, let us start with fundamentals, and I dare say in a room of ten or fifty or a hundred, if you will follow such a simple prescription, we are bound to get somewhere.

These are only some of the related factors.

I am basing all this work of evolving this solution of agricultural relief on the one prime purpose to benefit all consumers. We are dismissing the temporary phase of a little boost in price which only enables the farmer to restore the fertility of his soil or to restore his assets. The depletion of either one will be a serious handicap to agriculture.

Now, gentlemen, I feel that we want to review these one by one.

First, any system of farm relief must have complete farmer-Government cooperation.

Second, must provide for producing and disposing of products most economically always; proper use of soils, technique of farming, elimination of waste, transportation, and all phases.

Third, accurate method to obtain supply and demand and cost of production data.

If you want to know really how serious that one is, with the present system, I would like to know whether it produces a disaster to any one particular farming group if our Department of Agriculture should happen to guess wrong or say there is a surplus of a commodity in any particular year when there is no surplus; I want to know if that would have any ill effects.

I will refer to page 17 of President Coolidge's message of February 25, 1927, for just a line or two.

We insist before we read that, that unless some method of getting the accurate data is forthcoming, the plan is bound to fail. It is bound to miss the mark, and here are just a few figures that will sub-

stantiate that. Some system, more exact than what we now have, is very important.

> It is improbable that this proposed board * * *

He is talking about a Federal board.

> * * * could do any better * * *

He is talking about estimates on the amount of crops, and so forth.

> * * * in this respect than has been done by the Department of Agriculture. In spring wheat the estimates of the department have been 78,000,000 bushels too small and 90,000,000 bushels too large; in winter wheat, 126,000,000 bushels too small and 140,000,000 bushels too large; in corn, 430,000,000 bushels too small and 657,000,000 bushels too large; in cotton the range has been from 2,983,000 bales for 1926 to 3,286,000 bales for 1918. If such an array of figures means anything, it means to an agricultural business that unless you have a system that can supply a definite way of getting that accurate data, the system is bound to fail, and perhaps we have a suggestion that will get it more accurately.

The next is automatic regulation of acreage employed, preventing undue expansion. We need only make one remark on that. Unless the system provides for the regulation of the acreage employed it will soon become top-heavy and fail of its own weight.

If you will read Secretary Jardine's report, on page 26 of the 1927 yearbook, you will find there where he estimates 600,000,000 acres of available farm lands not in cultivation, most of it in the hands of private owners, involving a certain amount of overhead expense.

If that is the case, and you create an incentive for more production, and if any of this acreage comes in, you have added to that surplus.

So unless you have an automatic system of regulating acreages employed, your plan is bound to fail.

Then you will get some relief by developing by-products, and among the possibilities there are no limits.

We want a farm-relief plan that will cover both State and Federal land policies, such as reclamation and reforesting provisions. We want a farm-relief plan to cover the most feasible plan for handling the surplus, especially of the major crops.

We want a plan that takes into account the purchasing power of the consumers. I believe you will agree with me that we have had here in the United States during the last year a good example of an economic paradox. There were thousands and thousand of bushels of potatoes that have been allowed to stay in the ground or not been marketed, and yet there were thousands of families not able to buy those potatoes. The potatoes were not worth digging, and yet there were thousands of families right in our own country not able to buy those potatoes.

We want a farm-relief plan that will provide for an exact and careful survey of the foreign markets, and a plan that provides a most practical method of defraying expenses.

Regardless of what plan you use it must provide for the expenses to be put on the producers. The Government will only pay a certain portion, and that portion is limited.

We want a system that will survey the State tax systems all over the 48 States in reference to farm-property taxes, and in that respect recommend a system that is best suited to the farming interests.

We want a farm-relief plan that will provide for a study of the services rendered to the various farmer organizations and suggest changes in adjustment necessary for the new conditions.

Another feature is this: We want a plan that will create on a sound basis stabilization corporations whenever necessary.

We want a plan that will investigate the possible economic disturbances by subsidizing foreign consumers continuously. Secretary Mellon gave considerable warning along that line and simply brought out the situation as to what would follow if we continuously subsidize foreign consumers of American product—there will be a tendency on the part of the manufacturing interests to set up plants all over the world, and thus throw thousands or even millions of men out of employment in the United States.

Our President has emphasized point No. 16, to determine the farmer's capacity for operating a plan and to determine the question of the amount of Government funds necessary.

In connection with that item alone there is such a wide difference of opinion that you will find suggestions all the way from $100,000,000 to $1,000,000,000, which only proves the point I want to make that no one committee is capable of saying now how much in the way of funds are going to be needed to stabilize the agricultural industry.

The next point is to formulate a definite agricultural credit policy. You have the details on that.

The next point is to protect the Nation and the citizen against abusive practices, and to protect the system itself against burdensome overhead expenses.

Now, gentlemen, I will review for a minute what such a plan might do, in a simple explanation. If the Government would form a board of five members, or six members, including the Secretary of Agriculture, and this board to be empowered to do whatever was necessary to stabilize the industry, one of the first things it should do would be to organize the farmers throughout the land.

That is indispensable for a good many reasons that we will not take the time to enumerate now. Unless you do organize and get consolidated action, you will not get the results. My analysis shows there is no parallel anywhere in the country to the farming business, in the way in which it is carried on, every man producing just what he pleases and as much as he pleases, taking his chances on what he can sell. There is no industry that anywhere nearly compares with it, and if you want to analyze the factors that exist, there is one think we must do, and that is to organize the farmers and farming. But that is a very simple matter to be carried on, and I can take up the details in reference to it later. But we must organize the farmer.

I want you to see here one of the advantages of a system that may perhaps be new. I do not know whether it is or not; we will leave you to be the judges.

Any system that has been proposed heretofore, that we know of, that attempts to place the charges back on the consumer, has done so on what we would call a very awkward basis, with all due respect. As the chart will show you, one of the fundamentals of a farm-relief plan is that whenever you charge back the expenses on the producers

of the units of these crops, you are getting into a field of complexities that the human mind is not capable of following.

I ask you, gentlemen, to look at that chart. You must chase a bushel of corn anywhere it goes. You can find it in the fields, or you will find part of it fed to the hogs, part of it to the chickens, and part to the cattle, and soon they will have all the expenses involved in that bushel of corn.

Now, then, just stop and simplify the whole thing. These products would not exist, in fact they could not exist, without the strictly agrarian products, hay and grain. If you regulate the expenses on this basis, you have simplified the problem by 1,000 per cent. You have a definite gage, not an elusive proposition, and you have a definite way of making these calculations. An acre can not get away, but a bushel or any other unit you might want to use may escape in transportation, or what not, and would be too hard to find.

The acreage proposition is a valuable basis, because it is positive. A unit is soon lost by conversion. The acreage represents an individual attempt at production. Accurate data is not possible on the unit basis.

The third point is that it is simple of application, as against all these unit complexities.

Now I want to show you how our plan would work on either a corn or a wheat or a cotton surplus.

We propose to charge back the expense of corn, operating on an acreage basis. It is a strict governing principle, not an elusive item, and can be checked up at any time. That is where the farmer's cost comes in on this tax proposition. You can check up on him accurately, and that is the proof of the merit of this plan.

Take corn, cotton, or wheat. You have heard so much about wheat, suppose we take corn. We will suppose there is a surplus of 270,000,000 bushels of corn, and we will suppose the fair price, or the price which the farmer should get, is $1. Let us suppose the board has decided to carry over that surplus, which might be the most expensive way, and that expense will be 10 per cent of the total value of the crop. Let us suppose that the acreage that produced the corn crop was 100,000,000.

Let us say that the price at husking time was 75 cents a bushel. With that supposition, see what follows. The value of the surplus is $270,000,000; the expense of operating amounts to $27,000,000; the per acre charge is 27 cents, or about 1 cent per bushel.

Mr. PURNELL. Mr. Thornberry, I am sorry, but your time has expired.

Mr. LARSEN. I ask unanimous consent that he be allowed to finish his explanation of the chart.

Mr. THORNBERRY. I have practically finished that.

Mr. LARSEN. Then I withdraw the request.

Mr. PURNELL. I thought perhaps some of the members might in their questioning bring out other points that you desired to develop.

Mr. ASWELL. How do you stand on the equalization fee?

Mr. THORNBERRY. It was not my intention to discuss anybody's plan.

Mr. ASWELL. Is not that an equalization-fee proposition that you have there?

Mr. THORNBERRY. I think the unit system applies to a good many of the plans.

Mr. ASWELL. That is all.

Mr. THORNBERRY. The unit system applies to most all of them. I discovered this analysis or this plan by strict analysis, without any reference to anybody's plan, and had no knowledge of them at the time I evolved this plan, had no definite, detailed knowledge of any system in particular.

Mr. KINCHELOE. Mr. Thornberry, you have put forth several suggestions and remedies, and the question in my mind is how are you going to apply them. You say there should be a better system to get statistics. That is a good thing, if there is any better system. What system is better than the one that is in being now, operated through the Agricultural Department?

Mr. THORNBERRY. I could explain that. If you want accurate statistics from the farmer, it would be much easier to get them the way in which any of our large manufacturing plants get accurate statistics of their operations. I suggest this just for your consideration.

I suggest that the statistics of accurate acreage, and what not, breeding, and all phases of production, could be gotten, for instance, if the board is functioning, through the county agent, who could in the middle of the month send out to the farmers in his county——

Mr. KINCHELOE (interposing). I have only got five minutes. I do not want to go into the details. You would get it from the farmers themselves?

Mr. THORNBERRY. I can answer it in just one sentence. These inquiries sent out by the county agent would call for a report every week in season on the amount planted, the number bred, and all of the definite figures available about the farmers' operations, and that would be mailed every Saturday night to the county agent, and he would tabulate it and give it to the State department, which would relay it to the Government.

Mr. KINCHELOE. You think the county agent could carry that accurate knowledge of the county all the time? You say he is in possession of those facts at all times, do you?

Mr. THORNBERRY. I think under this plan he would be. He would have cards that would be filled in.

Mr. KINCHELOE. I was wondering where he would get the information to fill in.

You say you believe in automatic regulation of the acreage. How are you going to regulate it?

Mr. THORNBERRY. The feature I did not get an opportunity to explain in connection with the automatic regulation of the acreage would be this: That each farmer would be given a marketing license yearly, which would put him in possession of marketing privileges, and that, if it should be a surplus crop, which was handled by the board, on which there was an expense for handling, that fee would be paid in connection with his marketing license, yearly.

Mr. KINCHELOE. You think Congress would have the power to tell a farmer how much he could raise, or how little he could raise?

Mr. THORNBERRY. This plan does not attempt that. A man can go on his farm and grow what he pleases. He has an inalienable right to do that as long as he does not violate any law.

Mr. KINCHELOE. You would penalize him if he did not follow the rules of the board?

Mr. THORNBERRY. Just the same as any other Government procedure.

Mr. KINCHELOE. You think Congress has the power to do that?

Mr. THORNBERRY. I think Congress should have the power to say that he must have a marketing license. A farmer can have an automobile or a truck delivered to his farm, and he can use that automobile or that truck out on his farm and never have a license for it. But if he is going to take it out on the public highway he must have a license. The farmer becomes a part of society when he takes his crop out to the public.

Mr. KINCHELOE. Under your plan, how would you handle the surplus? That is what we have been trying to take care of.

Mr. THORNBERRY. The stabilization corporation created by the board would be in possession of the actual surplus and could hold it off the market as required, and stabilize the price at the cost plus a fair profit.

Mr. KINCHELOE. What would you do with the surplus?

Mr. THORNBERRY. The board would let circumstances govern that. They would decide whether they would have to hold it over or put it on the world market.

Mr. KINCHELOE. If they sold it at a loss, who would pay for it?

Mr. THORNBERRY. If they sold it at less than the established American price, the producers pay pro rata the cost of that.

Mr. KINCHELOE. How would they do that, by an equalization fee, or what?

Mr. THORNBERRY. By the yearly market license fee, as per the acreages employed.

Mr. KINCHELOE. That is the same thing in principle as the equalization fee.

Mr. THORNBERRY. In principle, but not in practice.

Mr. KINCHELOE. You said another of your ideas is to protect the Nation and its citizens from abusive practices.

Mr. THORNBERRY. Yes.

Mr. KINCHELOE. That is a fine thing. How can that be done?

Mr. THORNBERRY. Whether that is sincere or not, a great many people who are enemies of farm relief would at once assume that we were going to set up monopolies and favor the farmers too much.

This board should have on the list of fundamentals no less than $1,000,000, I would say, to investigate what the different features are, and have a safety provision there so that there would be no abusive practices.

Mr. KINCHELOE. You say you think the board ought to organize the farmers throughout the land, all of them?

Mr. THORNBERRY. Yes.

Mr. KINCHELOE. Into cooperative organizations?

Mr. THORNBERRY. Just an organization for definite contact with the farmers. The trouble with all this proposed data is that they leave the farmer too much isolated. They do not take him in as a human element.

Mr. KINCHELOE. I do not care whether you call it a cooperative or not, but you think the farmers ought to be in some organization?

Mr. THORNBERRY. I think they ought to be organized. For instance, we would have a county agent put a notice in the paper that on a certain date in the central schoolhouse there will be a meeting of the farmers, a meeting held, and the farmers would be required to register. They would have a special registration blank, like an agricultural census blank, which requires an immense amount of data from the farmers. This registration blank would be explained at the county meetings, and they would register, and the board would have all that data.

Mr. KINCHELOE. Suppose they would not register. Do you believe in making them do that?

Mr. THORNBERRY. It would be as mandatory as the census of agriculture, provided for in the act of 1919.

Mr. KINCHELOE. Your idea is to put the farmer in a straightjacket all along the line and to give the board plenary power all along the line; is that your idea?

Mr. THORNBERRY. My idea covers three things, informative, we might say, admonition, and mandatory. One feature would be mandatory.

Mr. JONES. You mean membership in the organization would be mandatory?

Mr. THORNBERRY. I mean that the county agent, just to get to the details, would publish his notice and hold meetings at the central schoolhouse building, and that would give him an opportunity then to explain what the board was going to do for agriculture, and they would have there the registration blanks, and they would be required, either on their own initiative, or by means of whatever help they could get, to fill out the registration blank.

Mr. JONES. Before they could get a marketing license?

Mr. THORNBERRY. Before they got the marketing license. They could plant and grow what they pleased and as much as they pleased.

Mr. JONES. Suppose there are two farmers living side by side, each having 100 acres of land in cultivation. One of them has been growing one crop, say, cotton. The other one, living next to the cotton farmer, has had a different system. He has planted, say, 25 acres in wheat, 25 acres in cotton, 10 acres in something else, and so on, diversifying his crop. Would you make each one of them cut down his privilege of selling?

Mr. THORNBERRY. There is no restriction on his privilege at all.

Mr. JONES. He could not sell more than so many pounds of cotton per acre, but he might have four times as much cotton as the other.

Mr. THORNBERRY. The system is built around this principle. He has indicated to the board in his registration what his intentions are in acreage. He may vary from that the same as he does in connection with his license for an automobile. He may get a higher-powered car or a lower-powered car, and he adjusts his license fee accordingly. But if he wants to market wheat and he enters his estimated acreage, the board assesses him his pro rata amount for the handling of the wheat crop.

Mr. JONES. Would not that system penalize the fellow who is diversifying?

Mr. THORNBERRY. Not necessarily, because he has the privilege of diversifying in any way he wants to.

There is a feature of it that should be developed, and that is in connection with farm values. This system should be developed to take into account values along with acreage, total farm value, and that is as fair, or more fair, we will say, than the tax system. It would be a better pro rata charge than our present tax system.

Mr. JONES. You would collect this 27 cents an acre, or whatever the charge might be, on an acreage basis in advance?

Mr. THORNBERRY. Yes. That is payable in advance, when he indicates his intention. If the board is handling a surplus in that crop, they know there are going to be expenses.

Mr. JONES. Suppose he is a tenant farmer who does not have the money to advance?

Mr. THORNBERRY. If you stabilize the farming industry, the farmer is going to have better credit. I do not think that would be a feature which you would have to worry about. I think that when you have a stabilized product and are going to have prices on a stabilized basis the credit at the bank will be so much better that a little fee is not going to make very much difference.

There is another thing in connection with a regulatory system, if I may further answer your question. Unless you have some regulatory feature by which production will be regulated, that production will be stimulated by any rise in price until the whole structure will be wrecked.

Mr. ANDRESEN. I am not quite clear as to your plan. I want to cite a specific illustration. There is a farmer who has 300 acres of tillable land. He now has to pay $1.50 an acre in taxes, which would make his taxes $450 a year. He has to pay that whether or not he has anything on his land.

Under your scheme, as I understand it, if he were to raise 200 acres of cotton, he would be assessed $1 per acre, or would have to pay a license fee of $1 an acre on that cotton, and if he had 100 acres of wheat he would be assessed 56 cents an acre on that.

Mr. THORNBERRY. If the board is handling the surpluses of those crops at once.

Mr. ANDRESEN. We will assume that they are. He pays that at the beginning of the growing season.

Mr. THORNBERRY. Yes.

Mr. ANDRESEN. Then, on 200 acres of cotton he would have to pay $200, and on 100 acres of wheat he would have to pay $56.06, or a total of $256.06, in addition to his taxes, making a total of $706.06.

Suppose he would have a crop failure. How would you handle that situation?

Mr. THORNBERRY. That would be handled the same as any other crop failure. The taxes go on just the same, but they would not be governed by that sort of a condition.

Practically, there are discrepancies in all tax systems. If you take a 5-year average, that is where it makes an automatic regulation of production.

Mr. ANDRESEN. Your proposition is to tax the production?

Mr. THORNBERRY. This marketing license is based on his provisions to produce.

Mr. ANDRESEN. Have you any provision in your scheme for insurance features?

Mr. THORNBERRY. The insurance features could easily come in in connection with the cooperative activities, which is, we might say, stock stuff. You can very easily embody that with the stabilization.

With the exact cost of production over a 5-year average over the different States, producers will have some gauge by which to judge their investment, and it may never be necessary for the board to handle the surplus on the line you mentioned, but, if it is, somebody must pay the expense, and the system forces the producer to do that.

Mr. ANDRESEN. You think it would be popular with the producers?

Mr. THORNBERRY. Absolutely. I say that because I have talked to producers. Take the illustration shown there on wheat. If the producer would rather have $1.18 than $1.40 less his expense of 3½ cents, or 1.36½ cents, then it would not be popular with the producers.

Mr. ADKINS. You say you discovered this plan accidentally?

Mr. THORNBERRY. My attention was called to it incidentally. I got interested in it more or less accidentally.

Mr. ADKINS. I was wondering what you were looking for when you discovered this plan.

Mr. CLARKE. As I understand you, Mr. Thornberry, you think that under your plan you could bring all the farmers together?

Mr. THORNBERRY. Just as much as you can by the census of agriculture, under the act of March 3, 1919. There is a mandatory provision there that acquires an immense amount of data. There are 180 items, and it should be made mandatory, especially if we just take national welfare into consideration, or even without that, I think.

Mr. CLARKE. Under the general welfare clause of the Constitution; is that your argument?

Mr. THORNBERRY. It undoubtedly would be constitutional under that.

Mr. HOPE. You have under your heading of wheat a fair price fixed at $1.40 a bushel. Who is going to determine that price?

Mr. THORNBERRY. That is exactly what this data is for. Unless the board, with the authority from the Government, can determine the average cost of wheat and determine a fair price, you are in no position to even determine a tariff scale. It becomes a guesswork proposition.

Mr. HOPE. Your fair price is going to be the price——

Mr. THORNBERRY (interposing). The board can estimate what the fair price should be.

Mr. HOPE. That is going to be the domestic price?

Mr. THORNBERRY. That should be under the working of the plan.

Mr. HOPE. You have it figured out there as far as wheat is concerned, and you have every acre of wheat which is planted for the next year assessed 56 cents an acre to start with.

Mr. THORNBERRY. If the board would make that kind of an estimate; yes.

Mr. HOPE. And those figures you have are about what our carry-over has been on wheat, that is, our surplus above the domestic requirements?

Mr. THORNBERRY. That is approximate experience.

Mr. HOPE. Then everybody who starts to raise wheat the following year is going to start with a blanket charge of 56 cents an acre against his crop.

Mr. THORNBERRY. That would probably be the maximum. I imagine that actually it should be less than that. But regardless of what it is, the minute the Government steps into the agricultural field, you have to have somebody to pass on that, and estimate what they are going to produce that year.

Mr. HOPE. That is, a uniform charge for an acre of wheat.

Mr. THORNBERRY. Whatever we estimate that year; yes, sir.

Mr. HOPE. You have a lot of different conditions in wheat-growing districts. For instance, you will have some districts with a high acreage yield, but where the cost of production is going to be quite high, will you not?

Mr. THORNBERRY. Yes, sir.

Mr. HOPE. And you will have other sections, as in the Great Plains area, where your acre yield is not so high, but where, by means of modern machinery, they have reduced the cost of production to quite a low figure, so that the net return will be higher in some cases than in the higher producing sections.

Mr. THORNBERRY. Yes, sir.

Mr. HOPE. Now, is not the effect of a plan like this to penalize the districts, or the farmers in those districts, where they have low production costs, and benefit, perhaps, sections where they have a high production cost and a higher yield?

Mr. THORNBERRY. I would like to answer that in this way: The immediate effect would be that discrepancy, as you say, and that is the reason I suggested that this plan should be adopted by the board. There is another factor that comes in there, and that is the average value of the farm, and I want that to be one of the determining factors that enter into the calculation. For instance, a man might have 140 acres of land, with only 40 acres of tillable land, so that his whole income would come from that 40 acres. That 40 acres may be worth $150 per acre, but the whole farm might not be worth more than $75 per acre. In developing the plan, those are the factors that the board should take care of.

Mr. BRIGHAM. I believe you stated that you were a research engineer.

Mr. THORNBERRY. Yes, sir.

Mr. BRIGHAM. Are you a graduate in engineering?

Mr. THORNBERRY. I have had considerable engineering experience. I graduated from two or three schools.

Mr. BRIGHAM. Do you have a degree in engineering?

Mr. THORNBERRY. Not as such, except as you might say in connection with other degrees. You understand, that in several of these colleges the work is given in connection with other degrees.

Mr. BRIGHAM. Are you connected with any institution?

Mr. THORNBERRY. No, sir; I am working individually, in private work.

STATEMENT OF E. E. KENNEDY, REPRESENTING THE FARMERS' UNION OF KANKAKEE, ILL.

Mr. PURNELL (presiding). Please state your name and whom you represent for the benefit of the committee.

Mr. KENNEDY. Mr. Chairman and gentlemen of the committee, my name is E. E. Kennedy, Kankakee, Ill., representing the Illinois Farmers Union. I have done some work under the direction of the cost of production committee of the Corn Belt committee, formed at Des Moines, Iowa, in 1925.

Mr. PURNELL. That is a separate organization from the American Farm Bureau Federation, is it not?

Mr. KENNEDY. Yes, sir.

Mr. PURNELL. How many members do you have in that organization?

Mr. KENNEDY. There are about 36 affiliated groups in the Corn Belt committee.

Mr. PURNELL. How many active members are there?

Mr. KENNEDY. I would say about 900,000 or 1,000,000.

Mr. ANDRESEN. Do you represent the Corn Belt committee here?

Mr. KENNEDY. No, sir; except the cost of production committee of the Illinois Farmers Union.

Mr. Chairman and gentlemen of the committee, I came here for the purpose of discussing as briefly as possible the question of arriving at a measure or yardstick to determine the basis of a price, in whatever farm bill may be passed, inasmuch as I believe that it is quite fundamental to base agriculture, or rather to determine the basis upon which agriculture should be placed, in order to maintain its parity or equality with other industries.

A year ago last November, in order to give specifically what I have in mind to the committee, I assisted Senator Brookhart in writing a particular part of his proposed bill. I will take that up briefly in order to get that particular matter before the committee. That bill provides that—

> The Department of Agriculture shall determine the average cost of production of the farmers of each agricultural commodity having an exportable surplus for the five preceding years, and also the financial investment therein, using the official census data, as far as possible, and report the same to this cooperative as the price basis for the current year. The items of cost shall be estimated upon the same principles as in the manufacturing industry, and considering the individual farm as the business unit, and determined on its individual production, including a fair compensation to farm owners for management and labor of themselves and families, together with proper allowances for depreciation of soil, improvements, equipment, stock-breeding animals, work animals, and buildings.

Perhaps some explanation as to the distinction between that and what we have in a measure been accustomed to in the past should be made. The distinction is that the farm rather than the individual enterprise is taken as the basis on which the average cost is determined, the same to be taken over an area sufficiently large to cover the particular commodities grown in that area, and also by taking the farm as a business unit, rather than taking as an individual enterprise a particular crop, and then exchange the debits and credits back and forth, in order to arrive at the production cost.

To enlarge on that just a little, we set up, first, what is considered the American standard of living, a return upon the investment, interest, and depreciation of the equipment, including work animals, improvements, breeding animals, and so forth, and then going back over a period of five years or more, if deemed advisable, to arrive at a

basis of income and to arrive likewise at a weighted average, or, rather, the total income based upon a weighted average of the prices received for the entire marketable crop. In this way we would arrive, I am sure, at an equitable basis upon which any increase in prices to the American farmer might be determined or ascertained, and also to consider reasonable allowances for the farm operator and his family in the same manner as industry compensates its labor and management on at least terms comparable in proportion to the investment and the importance of the industry.

There is another matter I wanted to just mention briefly here, and that is that the cost of production figures, or rather the cost of production as ascertained and outlined, would strike directly at the heart of the farm problem. I have spent some 31 years of my life on the farm, or, rather, I was born there and have lived for 31 years of my life on the farm, and it has seemed to me that while a good deal has been said all over the United States about agriculture, yet many people hold the view that the cost of producing agricultural products is extremely low. For instance, in the agricultural yearbook for 1923, 1924, 1925, and 1926 the cost of producing corn in the State of Iowa was shown to be as follows: 52 cents per bushel in 1923; 75 cents per bushel in 1924; 55 cents per bushel in 1925; 56 cents per bushel in 1926.

Mr. PURNELL. Is this the same plan that was presented to the Senate by Senator Brookhart, guarantying a fixed percentage to all producers, based upon the cost of production?

Mr. KENNEDY. Yes, sir; that is a substantial part of it, Mr. Chairman.

Mr. PURNELL. I do not want to cut you off, and I am not speaking for the committee. I am speaking only for myself, but if I know the views of the members of the committee, I think you are wasting time in presenting such a question to this committee.

Mr. KENEDY. I will be very glad to discontinue the discussion of it, if it is your wish, Mr. Chairman.

Mr. PURNELL. I am just making that suggestion. I thought that perhaps you had some other features to develop that might be incorporated in the bill, and that the committee might be more interested in having than this particular proposition. In that, however, I speak only for myself.

Mr. KENNEDY. I have just a few more things to present, Mr. Chairman, if I may. Now, the weighted average United States farm price for 1923 was 84 cents; in 1924, it was $1.05; in 1925, it was 70 cents; and in 1926, it was 75 cents. Now, the Chicago weighted average farm prices for those same years were as follows: 70 cents for 1923; as compared with the cost of production, as shown by the yearbook, of 52 cents; $1.25 in 1924, on the Chicago market, as compared with 75 cents in 1924, as the cost of production. For 1925, 96 cents was the weighted average farm price in Chicago as compared with 55 cents as the cost of producing farm products in the State of Iowa; for 1926, $1.01 was the average price in Chicago as compared with an average production cost of 56 cents. Now, the reason I as suggesting this is that I feel a new method should be employed in arriving at that, similar to the one I have just outlined here.

Mr. Chairman, that is all I have to present.

Mr. KINCHELOE. Mr. Kennedy, you think there should be a guaranteed return to the farmer for the production of his products.

Mr. KENNEDY. Based upon the cost of production; yes, sir. I feel that that should be done.

Mr. KINCHELOE. Who should fix that price? This proposed board?

Mr. KENNEDY. Yes, sir.

Mr. KINCHELOE. Would it not cost some farmers more to produce than others, by reason of being better farmers, having better land, or having better climatic conditions?

Mr. KENNEDY. I think that some of the factors would show an increased production on one farm, but they would also show a higher average cost, probably, representing a higher tax rate, and some other factors that would practically equalize the average production cost.

Mr. KINCHELOE. Where would you get the money to pay the difference between that guaranteed price and the price the farmer would actually get for his stuff?

Mr. KENNEDY. I am not sure that I am qualified to give a direct answer to that question. However, I think a plan should be adopted similar to some of those that have been discussed that would raise the American price level at least equal to the tariff.

Mr. KINCHELOE. I understand; but whatever loss may be incurred between that guaranteed price and the price the farmer actually receives for his products must come from somewhere.

Mr. KENNEDY. I believe it should come in some way, if possible, from the farmer himself.

Mr. KINCHELOE. How could he do that outside of an equalization fee? Is that what you have in mind?

Mr. KENNEDY. I do not know whether any other plan could be designed to do that or not.

Mr. KINCHELOE. Do you know of any other plan whereby it could be ratably charged back to the farmer?

Mr. KENNEDY. Not unless it might be possible to handle it in a manner similar to that in which the cooperative organizations would handle it, and that would be the operating cost plus the loss obtained in marketing the surplus to stabilize the price; and then, if necessary, pay back the balance in a farm dividend.

Mr. KINCHELOE. I asked that purely for information. Of course, it looks as though under the present administration there is no chance of enacting any bill that has the equalization fee in it that would ever become a law.

Mr. KENNEDY. I think that is true.

Mr. KINCHELOE. I am trying to find out what other remedy you would offer to this committee.

Mr. KENNEDY. I do not believe that I know definitely another one that I feel would work. I do not know of any outside of the one that I have suggested.

Mr. KINCHELOE. What do you suggest the committee should do under those circumstances?

Mr. KENNEDY. I do not know whether it is possible to raise the American price level above a certain level, equal to the tariff, without some sort of plan such as has been discussed. I do not feel that I am qualified to propose any other plan.

Mr. KINCHELOE. You are speaking along the lines of the Brookhart bill; are you not? Would that be the remedy?

Mr. KENNEDY. Not particularly.

Mr. KINCHELOE. Do you have a plan whereby we might take care of the surplus?

Mr. KENNEDY. And sustain the loss in marketing the surplus?

Mr. KINCHELOE. Yes.

Mr. KENNEDY. No, sir; none other than the two I mentioned.

Mr. KINCHELOE. I am trying to get your idea of the plan of legislation you think the committee should follow.

Mr. KENNEDY. I do not have any general proposal along the line of what the legislation should embody.

Mr. KINCHELOE. Do you think there should be a revolving fund out of the Treasury for some purposes?

Mr. KENNEDY. I think that would be necessary.

Mr. KINCHELOE. For what purposes would you use that fund?

Mr. KENNEDY. To stabilize the market by purchasing the surplus of those commodities of which there is an exportable surplus.

Mr. KINCHELOE. Then, if there is a loss from selling on the world market, is it your idea to prorate it in some way back to the individual growers?

Mr. KENNEDY. Yes, sir.

Mr. KINCHELOE. In the absence of an equalization fee, you have no plan to offer the committee?

Mr. KENNEDY. Unless it would be to handle it in the same manner that a cooperative organization might handle a similar problem.

Mr. KINCHELOE. That would be the equalization fee in principle.

Mr. KENNEDY. It would amount to the same thing; yes, sir.

Mr. JONES. Would you have this plan to apply to all farm products?

Mr. KENNEDY. To all farm products of which there is an exportable surplus; yes, sir.

Mr. JONES. Do you think that the revolving fund should be large enough to take care of any loss?

Mr. KENNEDY. To be paid directly out of the Treasury?

Mr. JONES. Yes.

Mr. KENNEDY. No, sir; I feel that that should not be done.

Mr. JONES. If that is not done, do you favor the equalization fee, and have you favored that proposal right along?

Mr. KENNEDY. Yes; however, I feel that that has not much chance of succeeding.

Mr. JONES. You feel that that plan has not much chance of succeeding, and you are not in favor of a direct Government subsidy?

Mr. KENNEDY. No, sir; I am not.

Mr. JONES. If you are not in favor of a direct subsidy and realize the futility of enacting an equalization fee bill, what is the use of having any provision made at all? Why not let the farmer take the loss if he must pay the expense of it in any event?

Mr. KENNEDY. I do not know whether any other plan could be devised. I am not sure.

Mr. JONES. I do not see any advantage that you will get in fixing the price, if you are going to have the farmers absorb the loss, as between the normal flow price and the fixed price.

Mr. KENNEDY. As a matter of principle, this matter of taking funds out of the United States Treasury is not a thing that I would exactly favor. I do not know whether it is possible to work out any other plan or not. I do not have it.

Mr. JONES. Of course, the committee is anxious to do something, but if we eliminate the equalization fee and then eliminate the subsidy and are going to make the farmers themselves absorb the loss, it seems to me they could do that themselves and not have the Government to advise them.

Mr. KENNEDY. I believe this, that ultimately we will come to the principle of cooperative marketing. However, I feel that some assistance should be given by the Federal Government, to be borne as nearly as possible by the farmers. I feel that in the long run the greatest good can be obtained by the principle of cooperative marketing, because there is the greatest opportunity in there to eliminate the cost between the producer and the consumer.

Mr. JONES. Have you studied the export debenture or premium plan?

Mr. KENNEDY. Very briefly.

Mr. JONES. Are you inclined to favor that plan, or not?

Mr. KENNEDY. I feel that it would probably serve the purpose to the extent to which it was used.

Mr. JONES. That is the only plan I know of that provides some other method of providing the money.

Mr. FULMER. Is it your contention that the farmer is as much entitled to fix his price as the railroads or any other industries?

Mr. KENNEDY. Yes, sir.

Mr. FULMER. It is your belief, then, that the Interstate Commerce Commission is simply a price-fixing board, based on valuations.

Mr. KENNEDY. I think that is what they have done. I think that is what we have done in authorizing the rates to be charged to be equal to a return on the investment.

Mr. FULMER. It is a fact, also, that the Federal reserve board has power to fix interest rates, that right being given to it by Congress.

Mr. KENNEDY. Yes, sir.

Mr. FULMER. For instance, the rediscount rate was about 3 or 3½ per cent. They have increased that to 5 per cent, and I imagine that within 30 days it will be increased to 6 per cent. The public must pay the rate according to whatever they fix. Now, you think there ought to be some scheme whereby we would be able to figure out the cost of production and marketing of farm products so as to bring about a fair return to the man who produces cotton, corn, wheat, etc.?

Mr. KENNEDY. Yes, sir; I think that should be done if it can be done.

Mr. NELSON. You feel that any scheme looking to farm betterment must take into consideration the cost of production?

Mr. KENNEDY. Yes, sir.

Mr. NELSON. Do you feel that farm depression to-day is due in part of the farmer's high cost of production, and not entirely to the price he receives for the product?

Mr. KENNEDY. Well, I think that both are factors. Both the price received and the production cost have entered into the problem. I think that has entered into it over a long period of years.

Mr. NELSON. In other words, the cost of producing most farm crops, and, of course, that includes livestock, has greatly increased during the last few years.

Mr. KENNEDY. Did you say live stock? Pardon me, I did not catch that.

Mr. NELSON. I suggested that the cost of producing most farm crops has increased, and, of course, that includes live stock. Has not that cost of production greatly increased during the last few years?

Mr. KENNEDY. Yes, sir.

Mr. NELSON. Then, if the farmer had a dollar of larger purchasing power, that would, in part, solve his problem, would it not?

Mr. KENNEDY. Yes, sir; if his purchasing power were increased, or if it were increased to the basis of his production cost, it would solve his problem, or enable him to work it out on that basis.

Mr. NELSON. In other words, we can have no real farm prosperity until we have profitable farm production.

Mr. KENNEDY. I think that is eminently true.

Mr. NELSON. I am glad to have some farmers testify, because we have had very few farmers here. We have had many impracticable theorists. Our great trouble is that the farmer is not getting enough for what he sells, and it is costing him too much to get what he sells on the market.

Mr. KENNEDY. That is one of his biggest difficulties.

Mr. ADKINS. This farmers union was organized around Kankakee along about 1925, was it not?

Mr. KENNEDY. The organization I represent was organized there in 1926.

Mr. ADKINS. Now, the slogan under which they were organized was to secure a price that represented the cost of production plus a profit, was it not?

Mr. KENNEDY. That was one standard we stood for.

Mr. ADKINS. Did you say you have a million members?

Mr. KENNEDY. The Farmers Union of Illinois does not. It is a new organization.

Mr. ADKINS. How many members do you have?

Mr. KENNEDY. We have about 4,500 or 5,000 members in Illinois.

Mr. ADKINS. I thought you said there were about a million members.

Mr. KENNEDY. I was referring then to the Corn-Belt committee which the chairman asked me about.

Mr. ADKINS. You have about 4,500 members.

Mr. KENNEDY. Yes, sir.

Mr. ADKINS. What have they ever done outside of securing membership, and so forth? What steps have they taken to bring about this cost of production, plus a profit?

Mr. KENNEDY. I might cite one specific example, if I may. Around Streator, Ill., we have an organization there representing about 90 per cent of the farmers in that territory. Approximately 150 of them are engaged in producing whole milk. The farmers there were receiving a low price. Our marketing contract in Illinois covers the marketing of grain, livestock, dairy, and poultry products, and so forth. We entered into a marketing contract or agreement with

milk distributors there to increase the price of milk to those farmers from $2.30 per hundred pounds of 3.5 milk, with the schedule of milk going above the 3.5 standard or below, up to $2.70 per hundred pounds, which meant not only an increase in price but an increase in production. Our people there are producing milk to the value of around $15,000 or $18,000 a year. We are engaged in marketing grain; we are engaged in marketing livestock through a central marketing agency in Chicago, and the other principal markets, and we are likewise engaged in handling dairy and poultry products. However, that has not been developed to the fullest extent.

Mr. ADKINS. Now, from your experience thus far, from 1926 on, what do you want the Government to do to help in that matter?

Mr. KENNEDY. In what we are doing?

Mr. ADKINS. Yes; to carry out the purposes of your organization.

Mr. KENNEDY. In the benefits to be derived from the actual operation of the organization, a national selling agency or farm board that could market the surplus and increase the level of prices in America is the thing most desired for the benefit of the farmer, more particularly than for the benefit of the organization. On those crops of which we have an exportable surplus, where the world market, in fact, regulates the domestic price, it is mighty difficult for an organization to reach to that extent until it is national in scope.

Mr. ADKINS. That is all.

Mr. CLARKE. I did not quite get from you just whom you represent; what organizations?

Mr. KENNEDY. The Farmers' Union of Illinois.

Mr. CLARKE. And is that organization affiliated with Mr. Peek's organization?

Mr. KENNEDY. No; that is the National Farmers' Union. Mr. Huff is the president of it.

Mr. CLARKE. What is this Corn Belt committee? Does every one of them belong to Brother Peek?

Mr. KENNEDY. No, sir. Mr. Peek was not a member of the Corn Belt committee. Mr. Peek, as I understand, was a member of the committee of 22.

Mr. CLARKE. Was he not also a member of the $750,000 committee of the Democratic campaign fund?

Mr. KENNEDY. I would not be able to answer that question.

Mr. CLARKE. As I understand it, you helped draw a part of Senator Brookhart's bill.

Mr. KENNEDY. Just that one part; yes, sir.

Mr. CLARKE. What was that part, again? I am not quite clear on that.

Mr. KENNEDY (reading):

> The Department of Agriculture shall determine the average cost of production to farmers of each agricultural commodity having an exportable surplus, for the five preceding years, and also the financial investment therein, using the official census data as far as possible. * * * The items of cost shall be estimated upon the same principles as in the manufacturing industry, and considering the individual farm as a business unit, and determined on its individual production, including a fair compensation to farm owners for management and labor of themselves and families, together with proper allowances for depreciation of soil, equipment, stock-breeding animals, work animals, and buildings.

That was the extent of my assistance in this bill.

Mr. CLARKE. That is all.

Mr. HOPE. The Brookhart bill would require a subsidy, would it not, from the Federal Treasury to put it into operation?

Mr. KENNEDY. I am not sure. I imagine it probably would.

Mr. HOPE. Well, it is based on returning to the farmer those items of cost which you have enumerated?

Mr. KENNEDY. Unless—now, I am not really qualified to speak as to whether it would or would not—unless the influence of a farm board would affect world levels. I am not in a position to say whether that is true or whether it is not.

Mr. HOPE. The bill which Senator Brookhart introduced at the last session of Congress provided, did it not, for a revolving fund, which the bill, by its terms, contemplated would be exhausted in meeting these items of cost which you have enumerated?

Mr. KENNEDY. I believe that there is something in there about that. I have not studied his bill closely.

Mr. HOPE. Have you given any thought or study to the effect that the creation of stabilization corporations for each farm commodity might have upon the price of the commodity in the domestic market?

Mr. KENNEDY. I have not given it enough thought to be able to give you an intelligent answer on the matter.

Mr. HOPE. You have not made any study of the theory of stabilizing prices in that way?

Mr. KENNEDY. I am sure, of course, that to level out the prices or stabilize them would be of benefit to the farmer. There is no doubt about that.

Mr. HOPE. But you have not given any thought to what particular form of organization might do that?

Mr. KENNEDY. No, sir.

Mr. HOPE. That is all, Mr. Chairman.

Mr. BRIGHAM. You cited certain figures as to cost of production of certain commodities. I understood that those were taken from the investigations of the United States Department of Agriculture.

Mr. KENNEDY. Yes, sir. They were contained in the Yearbook for 1927.

Mr. BRIGHAM. And did I understand that you thought those were not exactly correct?

Mr. KENNEDY. I thought that they reflected a price that was lower than the actual cost of production to those farmers.

Mr. BRIGHAM. Have you made any computation of the cost of production of these commodities on a basis which you would consider to be right?

Mr. KENNEDY. Yes; I have made some computations on those.

Mr. BRIGHAM. Have you those with you, so that you could give them briefly?

Mr. KENNEDY. It would be pretty hard to give them briefly, but I have them here.

Mr. BRIGHAM. Take the year 1928. Can you tell us what was the cost of production of corn?

Mr. KENNEDY. As figured on the basis that I suggested for the State of Iowa, to make a comparison, it was around $1.42 a bushel.

Mr. BRIGHAM. That was in 1928?

Mr. KENNEDY. That was in 1925.

Mr. BRIGHAM. And the farm price of corn was how much in Iowa?

Mr. KENNEDY. $1.42 a bushel.

Mr. BRIGHAM. That was the cost of production. How much was the farm price, the price paid the farmers?

Mr. KENNEDY. 55 cents a bushel was the average price.

Mr. BRIGHAM. Then you would advocate the setting in motion of forces which would have raised the price from 55 cents to $1.42 on the farms of Iowa?

Mr. KENNEDY. On these schedules I would be perfectly satisfied to have the Department of Agriculture use a method that embodied the present principles of these, and be satisfied with what the result would be.

Mr. BRIGHAM. Will you please answer my question? If your method were adopted, it would result in some governmental action which would have increased the price of corn to the farmer from 55 cents to $1.42, which you found to be the cost of production?

Mr. KENNEDY. Yes; that is what it would amount to.

Mr. BRIGHAM. What would be the result in increased acreage of corn planted?

Mr. KENNEDY. If the price was increased on the major products of a given area, products such as corn, oats, wheat, rye, barley, and livestock, or other farm products, would be equally profitable for the producer to grow. There would not be a tendency to shift from one to the other, and each shift, of course, that would be made would be at the expense of some other commodity.

Mr. BRIGHAM. What about using marginal lands, lands not used, which have gone out of cultivation?

Mr. KENNEDY. I do not believe that the marginal lands that are now not used for productive purposes would come into extensive use to a point where they might jeopardize the undertaking for several years.

Mr. BRIGHAM. There would be quite an increase in the surplus that would have to be handled, would there not?

Mr. KENNEDY. If there was a substantial increase, yes, it would increase the surplus.

Mr. BRIGHAM. That is all.

Mr. PURNELL. Thank you, Mr. Kennedy.

We will now hear from Mr. King.

STATEMENT OF OLCOTT F. KING, SOUTH WINDSOR, CONN.

Mr. PURNELL. Give your name to the committee, Mr. King, and state whom you represent.

Mr. KING. I came here just as a visitor to Washington, and I have been listening in, but Saturday night I wrote these few things out as a conservative farmer, and perhaps representing quite a good number of conservative farmers. Since I have written this we have heard some very good evidence, which has interested me, but I have not said anything about that in this memorandum. I would like to speak about that later.

Last Saturday, I think, a gentleman of this committee made a very pertinent statement, and that was that when the agricultural leaders should be united on something that is concrete, and thereby

offer a united suggestion as a basis for a working plan of the committee, then you could go ahead.

We have had six years of this farm-relief agitation, during which time, from the reports that periodically come to us, agriculture seems to have improved greatly.

The beef business is excellent.

Dairying always has had its bright spots and is steadily improving.

The hog business has been through its usual circle of profit and loss. Corn is good. Less demand for oats and hay, due to decreased use of horsepower. Potatoes up and down, due to normal conditions of oversupply and the reverse.

The onion business is not so good, due to competitive importations, and might be helped by a tariff adjustment. Also a new tobacco tariff schedule is being considered.

Two industries seriously affected by farm depression are now in good condition. I refer to the fertilizer and farm tool business.

International Harvester is now selling on a 2 per cent yield basis, which indicates great hopes for the future of agriculture.

Let us now review some of the present great aids to this improved condition already fostered by our Government.

First, our Department of Agriculture, our experiment stations, agricultural colleges, the Farm Bureau, Federal farm loan banks, extension service, Weather Bureau, market reports, the tariff on certain farm products, schedules of which will probably be improved, to bring farm products economically in line with present costs of production, in this Nation which is on a protective tariff basis.

Our industrial expansion is also taking over about all the extra labor which comes with our one and one-half millions of increase in population each year, and its highly paid labor can pay good prices for its food.

Good roads improving all the time, and our very efficient railroad system; cheap electricity and getting more so every year.

Now, as to the main causes of our distress.

Let us go back to the early gay nineties—wonderful days but somewhat turbulent; the days of too much silver—populism—and when our good President Cleveland was compelled to issue bonds in time of peace, followed later by the silver-tongued orator who told us that the price of silver and the price of wheat went hand in hand, 16 to 1, and so forth.

You all remember those days. Those were exciting days, gentlemen, in the agricultural sections of the West, and we had a great deal of excitement, similar to what we have to-day. You remember Coxey's army, and several of those things. Those are periods that we always have to go through.

After that excitement was over agriculture started on a period of prosperity unheard of in this country and continued at a good pace until after the Great War, culminating in great expansion and the natural reaction of very great financial distress.

Land bought at inflated war prices naturally had to seek its former level, a condition too well known to us all. In fact, we are still feeling the effects. Inflated farm values first had to be adjusted, and inflated farm loans were the undoing of hundreds of our small farm banks. Contributing causes of this distress were these:

Farmers were very much oversold with expensive machinery. Cooperatives which came along in abundance caused temporary increase of credit and more overproduction with its resultant distress.

Also during this period, from 1896 to 1920, our farm advisers were preaching specializing in farming. The 1-crop farmer was the result, and suffered the worst. Only four bright spots appeared on the chart in 1920. They were four dairy districts. I took this, I think, from one of our agricultural papers, a report on "Dairying as a fundamentally sound farming business." There were four districts that showed some signs of brightness even in the great depression. One was Lancaster County, Pa.; there was one distrist in Louisiana; there was one in Minnesota; and a section of Wisconsin furnished the Federal reserve bank with $50,000,000 in the fall of 1920.

The shock of the deflation at first was almost deadening to our farm population, and then the steady appeal for help came to us. County agents and theorists could propose almost anything and the farmer was ready to grasp it, often to his sorrow. Government aid has been the slogan ever since, and I fancy that no Congressman got to Washington from our farm belt without a promise to urge some remedy for the betterment of conditions in his district. Hence came the great agitation of the past year, continuing through the campaign of November last.

When we look back on the past eight years we must admit that the old economic law has been working wonders, and with the help of certain tariff changes made during the Harding administration, progress seems to be upward. I believe that in six years more we will hardly know ourselves of to-day. Let us enter into no "entangling alliances" with our Government funds. Let us keep our Government out of the farming business, for unless we have Government ownership of all land, then and only then could a farm director general control production. But that is beyond the pale of my imagination.

One other revolution that has severely tested the economic ability of our farmers has been the transition from horse and mule power to gasoline power. Our oat and hay crop has suffered thereby, and it is probable that the farmers have spent millions during the experimental stage of farm power machinery. This problem is well behind us at this time.

Rather than appropriate $175,000,000 as proposed here last Saturday for Government warehouses, I would suggest that about 2 per cent of that amount be used to charter the good ship *George Washington* and that one outstanding farmer from each of our counties be transported to Europe for observation of farm conditions over there. In my opinion they would return thanking their God that they were American farmers.

That is in line with education, and I think it might do a lot of good. I do not advocate it unless you think it is necessary.

This, gentlemen, does not give you any real specific suggestion for your proposed bill, but may help to inform you of what some of us farmers are thinking about. You are expected to do something, but I feel that the less you do of price fixing the more you will be praised back home as time goes on.

The commission that you propose to appoint should indeed have broad powers, and, of course, an appropriation, but should investigate well the sources of farm agitation, the physical condition of farm cooperatives, the tariff schedules on farm products as related to the schedules on farm supplies and equipment, the present values placed on land in relation to productivity, as to whether the present land values as a whole are not to-day above what they should be, and before any money is advanced the commission should know that the cooperatives are well managed and show signs of permanency; also that in advancing money in one district, it is not causing distress in other districts then in good operation. That is, be sure that they are dealing with real cooperation. Investigate as to whether the present cooperative is really making the farmer more self-reliant, a better economist and manager of his business, because no cooperative can live without healthy units.

A display of too much credit at the present time might cause temporary excessive expansion and hinder the present steady improvement in our agricultural condition.

The proposed commission has a great work to do and should command the patience—and I bear down on this, and I hope you will take it home—it should command the patience of the Nation in its endeavor to bring about the desired result.

I am from away up in the corner of the country known as little Connecticut, where we are not great farmers to-day. I listened to the gentleman from North Dakota this morning, and listened to those gentlemen from California yesterday, and I want to second a great deal that those gentlemen put forth to you.

I think, gentlemen, in the first place, you have got to give immediate relief if possible. During the Harding administration they gave the farmers some immediate relief in adjusting tariffs, and I think that is the only chance you have for immediate relief—through the tariff. I think the gentleman from North Dakota has given you a little food for thought, and then when you come to start the process of distribution in a national way, I think the gentleman from California has sounded the slogan. I do not think you can do it otherwise, although it sounds radical. Seventy-five per cent is all right to start a cooperative, but it does not make it permanent. You have got to have practically 100 per cent control before you can do business, just the same as you have in any business that is going. That is the way it seems to me.

For that reason I think, gentlemen, that you ought to start your immediate relief by your tariff, and from then go on very, very slowly, and I feel that you will get along very well. But I would say be very careful in distributing millions of dollars in the hands of farmers who, I claim, are not capable of running their own business yet, as has been so well demonstrated by the cooperatives. I have been through one cooperative, and I can tell you that the history of that cooperative is just exactly what will happen if you pass out money as proposed in the bill which the President vetoed. The speech of Senator George P. McLean told you that story, and it was just the history of our association in Connecticut. I could tell you that in a nutshell, and I believe I know just where the money will go if you start appropriating it.

Mr. FULMER. Are you engaged in farming?

Mr. KING. Yes, sir.

Mr. FULMER. In what line?

Mr. KING. I have been farming for about 35 years. We have raised tobacco. We produce about 600 quarts of milk now. I have handled beef cattle and some sheep; I have driven in sheep from Albany; shipped in cattle from Buffalo and Chicago; sold tobacco in Wisconsin for 30 years; have sold in El Paso and all over the country.

Mr. FULMER. Your business seems to be perfectly satisfactory now?

Mr. KING. I would not say satisfactory; no, sir. I think it is $18,748.26 that my farm has cost me since 1920, and I probably lost the first year around $29,000 on a bad tobacco crop. I think I have just about broken even from then on.

Mr. FULMER. Then you think that Congress should pass some legislation to try to relieve agriculture, not only in your section but in every other section of the country?

Mr. KING. I think you have got to do something, but I think you have got to be awfully careful. I think you have got to wait until you see what this tariff does to the situation before you go any further.

Mr. FULMER. In other words, if you represented your district in Congress, you would not pass or attempt to pass any legislation until all of your farmers had agreed on what they wanted?

Mr. KING. They have got to bring in some definite plan. How are you going to work until you know whom you are working with and the condition they are in? You might pass legislation on certain things, but I do not see what you could do besides arrange your tariff schedules.

Mr. FULMER. The Congress did not wait in passing legislation to enact the Federal reserve act until all the bankers got together on what they wanted, did they?

Mr. KING. The bankers did not want it.

Mr. FULMER. They want it to-day, do they not?

Mr. KING. You bet they do. They did not know what they wanted.

Mr. FULMER. In the case of the farmers, you would wait until they got together on what they wanted, and in the meantime give them what you think they should have in order to put them on an equality with others?

Mr. KING. If you can figure out from the evidence you receive here, beyond the tariff schedule, anything that you think you can advance, go ahead and do it. I certainly would say so.

Mr. FULMER. Congress did not wait for the railroads to get together to pass legislation to take them out of exactly the same position that agriculture is in to-day.

Mr. KING. I think Congress got the railroads into pretty bad shape; because when I tried to ship potatoes the railroads were in such bad shape that I could not get them to St. Louis in time to deliver.

Mr. FULMER. I am not talking about the time when they took the railroads over during the war.

Mr. KING. No; I mean before that.

Mr. FULMER. I am talking about legislation that they have passed since that; and they are now in tip-top condition.

Mr. KING. Exactly. But you know that the railroads previous to that were in such a precarious condition, before the war, that we had to use drastic methods to keep them going so that we could carry through the war. That was a mistake, I think, in handling the rails as they did, because they were in very bad shape.

Mr. FULMER. You say that you believe we can correct the situation by a tariff on farm products. How would you make a tariff apply on wheat and cotton, of both of which we have an exportable surplus?

Mr. KING. I do not know. I can not tell you about cotton or wheat. I can tell you how I think you ought to do it on tobacco.

Mr. FULMER. You have 42 cents now on wheat.

Mr. KING. I am not a wheat man. The wheat man will have to figure that out himself. I can tell you about tobacco. We have got 6,000,000 pounds of tobacco coming in competition with our tobacco in this country, and we can produce all the tobacco, I think, and have proved that we can do it, to replace that tobacco if it does not come in.

Mr. FULMER. That is all.

Mr. LARSEN. You grow tobacco, Mr. King?

Mr. KING. Yes. sir.

Mr. LARSEN. What kind of tobacco?

Mr. KING. We grow the broad leaf.

Mr. LARSEN. For what purpose is it used?

Mr. KING. For wrapper and binder.

Mr. LARSEN. Cigar wrappers?

Mr. KING. Yes, sir. There is the Havana seed, which is for wrappers, and the broad leaf is the old type broad leaf.

Mr. LARSEN. Do you grow it in the open air and sun or under shade?

Mr. KING. Both ways.

Mr. LARSEN. Do you have any tariff on that now?

Mr. KING. Oh, yes. We have a tariff on wrapper tobacco now of $2.10.

Mr. LARSEN. Do you find that sufficiently effective to make it profitable?

Mr. KING. We do not think so.

Mr. LARSEN. It is the general thought, then, that the tariff should be raised on wrapper tobacco?

Mr. KING. Yes, sir. It is this way: We lived under that tariff schedule when wages were about $1.25 to $1.75, when fertilizers would run $23, and all expenses in proportion. Take the period from 1897 up to 1916, which was before we started paying any extra prices for labor, fertilizers, and so forth; before we paid $2 a day for help. That was the first year. During that period we took in about $500 per acre for our tobacco, which was a very good profit. The duty then was $1.85. In order to approach that now we ought to take in at least $750 gross. We do not expect to make any such profit as heretofore.

Mr. LARSEN. We produce in the lower part of my State, Georgia, and in the northwestern portion of Florida some cigar-wrapper tobacco. It has been my understanding, while I do not live in the immediate vicinity, that they really need some additional tariff and that is what prompted me to ask the question.

Mr. KING. All of those Quincy men are out of luck. Mr. Malone, from Alabama, was up here on that situation, and they simply can not handle it without tariff increase.

Mr. LARSEN. In the locality where I live we grow cigarette tobacco. Speaking especially of 1928, it was not found at all profitable, which was thought to be due in part to weather conditions. But even outside of that, generally speaking, it is not especially profitable. Do you think it might be helped also, or are you sufficiently conversant with the question to say whether or not it might be helped by a tariff?

Mr. KING. Your tobacco?

Mr. LARSEN. Yes.

Mr. KING. I am not so familiar with that.

Mr. LARSEN. But you are sure the other class does need it?

Mr. KING. Yes, sir; and that is the only end of it that I know anything about.

Mr. LARSEN. Thank you.

Mr. KING. You asked me the question, "How the tariff could affect or benefit cotton?"

I said that I did not know; neither will the tariff benefit greatly the broad-leaf tobacco which I grow. We must grow less broad-leaf tobacco and better tobacco before broad leaf again gains the place of the best wrapper and binder in America held heretofore and recognized as such by the trade in general. An extra duty of $2 per pound would help shade tobacco and Habana seed in Connecticut. But more especially would it help the tobacco around Quincy, Fla. In fact, I think that it would mean millions to them. Cotton can only be helped by working for less cotton and better cotton and that takes time. Anything that the commission or board you are to appoint can do to stop political agitation by our Government-paid agents in the farm bureau and get them to working somewhat under the direction of the farm board will do a great deal toward helping in improving the farm morale. This is the opinion of many.

Mr. PURNELL. We are much obliged to you, Mr. King.

We have one more witness—Mr. Carnes.

STATEMENT OF C. E. CARNES, CROWLEY, LA., REPRESENTING ARKANSAS RICE GROWERS COOPERATIVE ASSOCIATION AND AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION

Mr. PURNELL. Will you state your name to the committee and tell us whom you represent?

Mr. CARNES. My name is C. E. Carnes, of Crowley, La. I represent the two cooperative rice associations which are situated in Arkansas. One of them is known as the Arkansas Rice Growers Cooperative Association; the other is the American Rice Growers Cooperative Association, which does business in Louisiana and Texas.

In addition to that, I am the vice president and managing officer of a credit corporation operating under the intermediate credit bank act in Louisiana, which makes advances to farmers for crop production and other advances for carrying the crops in the fall.

The financial institutions of the rice territory of Louisiana and Texas had a meeting and decided that I should come up here and

see what the show was about, and see if from this bill anything came out that we might find valuable for us.

Mr. Chairman, my subject is farming. That is about all I know, farming and trying to work for farming.

I can not have as much to say as the people who have been speaking for the past two or three days, or since I have been here, because we have this peculiar situation with reference to rice: Rice probably, so far as I know, is the only agricultural commodity which is grown, manufactured, and marketed in the place of origin. We have not any brokers between us and the consumer whom I can abuse. We have not any factories and mills to whom we sell our products, whom I can abuse, because my millman is my neighbor; the man who sells our products would be my friend or my brother-in-law; the man who makes it is myself and the other people who are just as much interested in milling and are just as much interested in distribution as we are in farming. So we do not have that wide span there to criticize.

I wondered if some of the other people who have preceded me could have the crop product and the factory and the distributor all in the same block, were members of the same club, and so forth, if we might not understand one another better.

My principal purpose in coming before you is to ask this: Rice is a small commodity, represented in the South by the States of Arkansas, Texas, and Louisiana, Louisiana making more than half of the rice that is made in South; making about 60 per cent, and the 40 per cent being divided almost equally between Arkansas and Texas.

I have come to believe, gentlemen—but I want to say before I come to that, that I am not like the people who have testified this afternoon. Gentlemen, I am here to see if I can not get something for my own benefit; not altogether altruistic on my part. We want to see if we can not get more money for our rice. So I have a personal interest in what I may say, and if anybody would question me, I may be biased in this matter, because it is for the benefit of myself and the people whom I represent, and our farmers that I am speaking.

I have not any excuse to offer except purely a financial interest for myself and our people.

What I started to say was this: We are a small industry. I am assuming from the legislation that we will probably have from this Congress there will be a farm board and maybe or maybe not an advisory committee. I feel sure from what I am able to gather that we would have a stabilization corporation.

As it would affect us, we can not hope to have a person interested in rice or who knows very much about rice a member of the board. If we have an advisory council with reference to rice, that advisory council certainly will refer to the rice of Arkansas, Louisiana, and Texas.

We have a State in the West—California—which is a rice-producing State, but which has no interest, gentlemen—almost no interest—in the same distributing channels through which the rice of the South moves.

Neither has our rice the same source of distribution as California rice has. California makes 90 per cent of her rice Japan rice; it

moves to Japan and countries across the Pacific and in the West, and ours goes to the United Kingdom, Germany, and so forth.

So that an advisory committee composed of the rice of the South and the West—the most that California could hope to have on the advisory committee, with a fair distribution, would be one or two members out of five or six or seven.

Then California might find herself much in need of some stabilization plan when we did not need any; and, gentlemen, human nature is human nature. It would be hard to interest me and my people in going to California and studying the situation for the benefit of the California people.

So that if it would be possible we would ask that these things with reference to rice be taken into consideration.

We have no cooperative association in the rice of the South which is willing to become the stabilization corporation, if a stabilization corporation is established.

We especially ask the board with reference to rice, if the other people want to insist upon cooperative marketing, that the nominating committee, if that is to be the parent, if that is to be the source from which all wisdom is to be derived, we have no objection, gentlemen; but when it comes to rice, please leave it to us so that we may nominate our advisory committee separate from that of the cooperative associations; and I am speaking for the two cooperative associations—all friendliness exists, all right. But if you people would consider for a moment that you and I are sitting around the table of a cooperative organization in either one of the Southern States, for instance, let us say Louisiana, because it is better to go to Louisiana than any of the others, because the ladies in Louisiana are better looking than they are anywhere else—and let us to go Louisiana and let us consider ourselves on the board down there.

We are the directors of a cooperative association doing business. Now, we have taken our own rice. We have taken in the rice of our neighbors and our friends and have advanced these farmers the regular advance of 65 or 75 per cent. This advance which we have given to those people then has just about been sufficient to pay the cost of their production either to the bank or to the merchant, or to return to themselves the cost of production.

Then there is left taxes and interest, education costs, and things of that kind.

I ask you if we can expect a cooperative board then to take money for a stabilization corporation and go out in the trade and buy individual rice and to bring it into this corporation, which might ultimately become a loss, because no man yet has been wise enough to guess the rice market. I do not think they have yet with other markets, but I am holding myself to rice. No man yet has been able to judge when to buy and when to sell rice consistently, with accuracy. If we did, I would go into the business of just buying and selling rice, speculating, and other people would, too. But we can not bring ourselves to the point of forming a stabilization corporation, taking this remaining equity in this rice that belongs to these people, for the taxes and for the interest, into the final result of our judgment.

I want to say a word, gentlemen, about this bill, Senate bill 4602. I am referring to page 12 in the bill, which says that a stabilization corporation for any agricultural commodity shall have authority to act as a marketing agency for its stockholders or members.

Mr. FORT. What is that bill?

Mr. CARNES. This is Senate bill 4602 of last year.

Mr. CLARKE. Introduced in December?

Mr. ADKINS. The McNary bill?

Mr. FORT. What is the date of it?

Mr. LARSEN. The date of the bill seems to be December 5, with a committee print of March 25, 1929. The bill was introduced December 5, 1928.

Mr. PURNELL. Proceed, Mr. Carnes.

Mr. CARNES. It says that the stabilization corporation shall act as a marketing agent for its members, that it shall go out and acquire rice from its members or others at the market price.

Now, we know that if the stabilization corporation can be beneficial to us in the rice business, it can serve us only when, during times of depression, the market is low. The stabilization corporation might come in then and acquire rice.

Now, I—and when I say I, I am sure that any other person in the rice business who would be at the head of a stabilization corporation or have anything to do with it, would do likewise—would begin to buy rice if the market got below the cost of production to our best farmers.

We would never, gentlemen, set a price and say below this price rice shall not go. I am sure we would not do that.

Day by day or week by week we would go into the market and acquire rice by purchase, when it is going on down and down and down, because we are unable to sell rice either in America or in Europe or any of our distributing points as long as we have a downward market, because, of course, the buyer is waiting to see how low it will go.

We can distribute our rice best on an advancing market, so far as our rice is concerned.

Then the stabilization corporation will begin to acquire the rice as day by day and week by week it goes along, and just as soon as rice takes an advance this stabilization corporation will join in with the cooperatives—with the individuals, and immediately begin to feed its purchases back to the trade and get off all right. Because nothing could do us any greater harm than for the United Kingdom and those good German buyers and South American buyers, too, gentlemen, who are as smart as anybody in the world, to know that the stabilization corporation was sitting there with a big bunch of rice on their chests squeezing the life out of them.

There are times in America when Europe is in the market right, as we say, when they are strong. They will take great quantities of our American rice.

I want to say right here—I should have said it before—that rice is one of these commodities on which we have a tariff, but in which there is an exportable surplus.

Gentlemen, just for comparison, our ratio is about seven and a half to ten. We make approximately 10,000,000 pockets. A pocket is a hundred pounds of clean rice. We make 10,000,000 pockets and need seven and a half million.

I am just giving you that as an illustration so that you may know that we have to go on the world markets. But the American production of rice is about 1 per cent of the world's production of rice.

But, gentlemen of the committee, the good legislation which you people and the others who preceded you have given us has resulted in our having good consuls in the other countries. We have good communications. We have good railroad facilities. We are not subject to the same floods, the same calamities, the same wars, and the same diseases and famines which other rice-producing countries are subjected to. We are therefore almost always in the position where we have an opportunity to dispose of our exportable surplus at a reasonably fair price, if we can save ourselves when the market goes against us and goes on down and down and down.

We have sometimes, gentlemen, a dead market in rice for 60 days. Rice is unlike some other things. If we do not eat rice for 60 days, that means 60 days gone. We can not go back and make it up. We want to sell rice every day we have rice to sell, and next week sell some more.

We would hate to see rice placed in some kind of a cooperative organization, or we would hate to see ourselves tied to a board without the relation between our advisory committee and the board direct. We would hate to see a bill passed, gentlemen, that would compel the cooperatives of our State to take over the handling and marketing of our rice.

We doubt the wisdom, even, gentlemen, of the cooperative handling the rice.

When this stabilization corporation has acquired it, using their own means, or if the cooperative has found better means, it can employ the cooperative to dispose of the rice which we have acquired, or which the stabilization corporation has acquired, but immediately upon the acquisition of that rice it would start feeding it out.

I would like to close my remarks by saying this: Will the good gentlemen who represent us from Louisiana, the two Congressmen in the rice territory, Mr. De Rouen and Judge Martin—the Texas people, I do not know just who their particular Representatives are from the rice territory—but will those gentlemen please remember us when the days of fixing come, and leave us so that we can sort of take care of ourselves and fix ourselves?

I want to assure you gentlemen that as a farmer, a man who has lived on the farm all his life, to whom Washington is a great city, away off, and where a Congressman is considered a hero——

Mr. CLARKE. I am glad to know that there is such a spot in the United States. I assure you of my cooperation.

Mr. CARNES. Thank you, sir. I want to say this: Whatever bill may be produced, or, as the gentleman said this afternoon, whatever child may be born, remember that rice is a small commodity. We can handle it like a business corporation. We are immediately going to take it and whip it into shape and do the very best we can for it.

I want to thank this committee for this opportunity of presenting our situation. I have never seen anybody working as hard to try to do something for somebody. If any of my people make fun of a Congressman when I am back home, I am going to beat him up!

I feel that it is my duty to say this, Mr. Chairman, before I close. In this room since I have been here I have heard a good deal of

criticism, either directly or indirectly, of the intermediate credit banks.

The corporation of which I am the manager is a corporation which gets money from the Intermediate Credit Bank of New Orleans and loans to the farmers in the spring and the summer to go out in the fields and make their crop. There is the friendliest cooperation between our credit corporation and our financial institution.

I want to say, gentlemen, that a few years ago when the intermediate credit bank was not making advances for this purpose, local banks were taking on loans with reluctance. As soon as the intermediate credit bank was well established and the banks felt if they found themselves in May and June overloaded, they could come to a credit corporation and unload part of their load, our private banks have been more willing to take on additional loans than they were before that time.

The relations of my corporation with the intermediate credit bank have been very friendly. The intermediate credit bank has extended every possible courtesy that it is possible to extend, and I am not saying that because we are indebted to them. We feel rather complimented because in the few years we have been doing business—and that has been since early after the bill was passed in 1923; we established the first credit corporation in the South—we have loaned several hundred thousand dollars. In fact, our loans annually to our farmers right in our community are around four to five hundred thousand dollars, and somehow the Lord smiles on us and lets them bring back the money, so that we get it.

But I do not want to leave without saying that our experience with the intermediate credit bank has been most pleasant and most helpful.

Thank you, sir.

Mr. ASWELL. Did the local banks reduce their rate of interest after the intermediate credit banks were established?

Mr. CARNES. No, sir; the local banks are having a hard time making a living as it is.

Mr. ASWELL. Would you like to have rice as one of the several grains in this bill?

Mr. CARNES. Provided that the bill does not say that the grains must have their advisory council from the cooperative marketing associations.

You see, gentlemen, we haul our rice largely from the farm right into the factory and the factory then sells it right out to the jobber, and oftentimes direct to the merchants all over the country; and if a merchant is big enough to buy a carload of clean rice, we sell him a carload of clean rice.

So cooperative marketing with us can not save us anything. Rice has a standard grade. It is not like some other things in which cooperatives can give us grading.

We can not do that, particularly, because rice goes into a regular channel of grades and we have small farmers and several of our large farmers who will together own a mill and have the son of one, or some of the family, the distributing agent.

Mr. PURNELL. Mr. Carnes, I would like to ask, if Doctor Aswell will permit, as a matter of information, what treatment is given the rice after it leaves the fields until it is ready to be marketed? I do not know anything about rice.

Mr. CARNES. We bring rice in from the field with the hull on, very much like oats, things of that kind. It then goes through a milling process in which the hull is taken off and used for fuel for the factory, for the rice mill. Then, next to the hull is a bran which is used for feed for stock, and so forth. Between the bran and the rice grain is a polish. That is run through a machine and the polish is taken off.

So we have the hull on the outside that is used for fuel and the bran we use for feed. I congratulate our dairy people all over the country because we are finding an excellent channel of distribution for our bran to the dairy people. Our polish is used principally for rich feeds; it is very rich and it is used as a mixture to build up various other feeds.

That brings us down to the clean grain of rice. Then that grain of rice is usually put through a polishing outfit and polished and shined up and run through another outfit, gentlemen, in which we take some glucose and heat it, heat the rice, and then put some nice talcum powder in there and stir it all up, mix it all up so that it shines and looks pretty. So that when you see it, it is like the beautiful ladies that I told you about—we not only polish the faces of our ladies, but we take care of our rice as well.

We buy talcum powder in carload lots down there and powder nearly all of our rice.

Mr. LARSEN. Mr. Carnes, does the individual producer sell his rice to the mill?

Mr. CARNES. Yes, sir.

Mr. LARSEN. What does he have done in many instances, have it cleaned by the mill and then market it?

Mr. CARNES. No; we used to try to do that, and in the early years of the rice industry of the South, they thought they could mill it themselves and distribute it, because they had heard so much about the middleman. But they have never been able to rent a mill and have it milled any cheaper than the professional miller. Neither can they go out in the trade and sell it to any better advantage than the professional salesman.

Mr. LARSEN. You have two different classes of men?

Mr. CARNES. Yes, sir.

Mr. LARSEN. To what extent, if any, do you use straw. Do you manufacture that?

Mr. CARNES. We in the rice business produce rice one year, as a rule, and the second year we leave our land out, because we make rice through irrigation and the water left on the land for three or four months tends to kill it. So that the second year we leave our land idle and we raise a great number of cattle in our country.

Mr. LARSEN. Rice is very hard on land anyhow.

Mr. CARNES. Rice and cattle is what we raise. So far as the straw that we have is concerned, we use that for feed for our cattle.

Mr. LARSEN. You do not handle it in the market?

Mr. CARNES. No; we do not.

Mr. LARSEN. Do you have sufficient tariff on rice to protect you?

Mr. CARNES. We have a 2-cent tariff, 2 cents a pound, or $2 a hundred pounds on our 100-pound pocket, but we are asking for half a cent, just to be in line.

Mr. LARSEN. What is the importation of rice into this country? Is there much rice imported into this country?

Mr. CARNES. The Campbell Soup people and some of those soup people still bring in a good deal of rice through importation, but there is not any particular reason for it. Sometimes in the past they brought information to show Congress that the rice that they wanted to put in soup could not be produced in this country, but as I said before, Congress, in its wisdom, years ago established an experiment station at Crowley and the Agricultural Department years ago developed, through these experiments, and by experiments in the Bureau of Home Economics here in Washington, developed a rice which has the same properties as that which they wanted. But we were thankful to get even that.

Mr. LARSEN. Where do you grow your rice, in the Mississippi Valley and on the coast?

Mr. CARNES. No. Rice is grown on table-land, high land that we have in southwest Louisiana and southeast Texas; rather high level table-land.

Mr. LARSEN. Hard pan under them?

Mr. CARNES. Hard-pan soil, 3 or 4 inches deep, and clay subsoil.

Mr. LARSEN. That is all.

Mr. FORT. Mr. Carnes, there are no futures markets in rice?

Mr. CARNES. No, sir; that is another thing that I did not have anything to "cuss" about. I could not talk about what they were going to do to me.

Mr. FORT. I was not entirely clear, although your statement was, I thought, excellent, whether you thought that a stabilization corporation, assuming it was set up in some form that suited you, would or would not help your rice situation?

Mr. CARNES. A stabilization corporation will help us. It will not elevate the price level so as to guarantee cost of production; not that, but by cutting off those extreme low points from time to time, the level would be elevated a little.

Mr. FORT. Your idea, as you have developed it, is exactly what always seemed to me should be the policy of a stabilization corporation; that is, scale buying and scale selling.

Mr. CARNES. Yes, sir.

Mr. FORT. That is your idea, to buy on a scale down when commodities get low, and sell on a scale up as they started to rise?

Mr. CARNES. Yes, sir. If I were running a stabilization corporation, I am not sure if I would not let the public know when I began to buy rice, or even when I began selling.

Mr. FORT. You might do that behind a tariff wall.

Mr. CARNES. Yes, sir.

Mr. FORT. However, would not the psychology of the situation, knowing that a stabilization corporation was liable to step into the market, stop the drop very quickly?

Mr. CARNES. And the fact that they did not know but that I was already in the market might tend to hold them just the same.

Mr. FORT. Might it not bring your foreign buyers into the market at a higher point, if they did not know, but just had to guess?

Mr. CARNES. Yes; that is what I was thinking.

Mr. FORT. And that would stop the decline without the stabilization corporation ever having to buy anything?

Mr. CARNES. Yes, sir. The Bank of England and the Federal reserve bank, and so forth, here—I sometimes wonder if our people are not a little fast to announce their interest rates. When England gets ready she just cracks them herself. If we began to buy, let up slip in any buy ours and get it off the market.

Mr. FORT. Do you feel that the board should have the power in any legislation that we pass, to split a commodity like rice into the different sections or different grades?

Mr. CARNES. Yes, sir.

Mr. FORT. California rice is all export rice, practically?

Mr. CARNES. Yes.

Mr. FORT. That is the kind of rice that is eaten alone in Asia?

Mr. CARNES. Yes.

Mr. FORT. Your rice and the Arkansas and Texas rice is largely consumed here?

Mr. CARNES. Yes, sir.

Mr. FORT. Those figures that you gave, seven and a half million consumption and 10,000,000 total production—is that 10,000,000 total, or 10,000,000 of your kind of rice?

Mr. CARNES. Ten million total.

Mr. FORT. Is not almost all of that export from Cailfornia?

Mr. CARNES. No; California does not make the two and a half million. California would make three-quarters or eight hundred thousand or a million, depending upon whether it is a good year, so the balance would be ours.

Mr. FORT. In some years we are on an import basis, are we not?

Mr. CARNES. No, sir; not for many, many years.

Mr. FORT. You were in 1924 or 1925, were you not?

Mr. CARNES. No, sir; unfortunately even during what we know as the salt water years, the dry years.

Mr. FORT. We were importors on balance in value, but not in quality.

Mr. CARNES. Yes. Rice is like these other things; if we can have the good fortune to have our prayers answered by sending trouble to those fellows over yonder, we can get a pretty good price for our export rice, and make money, and that is what we have done.

Mr. FORT. We do import high-grade rice into this country at a high price.

Mr. CARNES. Yes.

Mr. FORT. But that is not competitive with your rice.

Mr. CARNES. Ours is not low-grade rice. We export to the United Kingdom, to Belgium, to France, and other European countries, and those countries take the finest rice we can make. If we can protect ourselves the European market will go back to a stable market.

Take the case of Germany: We sold German merchants a lot of rice and loaded it on their steamers, and if rice goes down half a cent or a quarter of a cent, we can not sell them any more rice; they will not touch it.

We feel if we could have stabilization, or a little advance to carry the cost of production—I mean if we could get an advance so they could save themselves, then we could dispose of that rice.

Mr. FORT. You want us to set up machinery under which stabilization corporations could be initiated?

Mr. CARNES. Yes, sir.

Mr. FORT. But you want them initiated by the growers as individuals. You said you did not want that done by the cooperatives.

Mr. CARNES. Yes; I want that done by the growers as individuals and the cooperatives together. We are very friendly with the cooperatives.

Mr. FORT. But the board has to have somebody come to them whom they regard as speaking with authority for more than one or two growers. Who is there in the rice business besides the cooperatives that can speak with any authority for your groups?

Mr. CARNES. Take my financial institution, or we will take our banks. Money from our territory has not gone East to be speculated with very much. Our local banks have done the best they could to help the farmers and to take care of them. I think the local bank financed several hundred farmers. We ourselves financed several hundred farmers. When we are confronted with a surplus, then the management of the cooperative association and the management of the different banks and ourselves would sit around the table and find out where we are. Then, if we can have some advisory board with which we can come in contact and not sell out to the cooperative——

Mr. FORT (interposing). I have never understood it was any part of the stabilization-corporation idea that they should not buy anything except the cooperatives' rice, even if it was set up by the cooperatives.

Mr. CARNES. We have not any cooperative association in the South in rice that would be willing to establish itself as a stabilization corporation.

Mr. FORT. In fact, I have never seen a bill that provided that the cooperatives themselves should be a stabilization corporation. All the plans I have seen have involved the setting up of a separate corporation, the stock in which was to be held by the cooperative association.

Mr. CARNES. That is fine.

Mr. FORT. That would meet your situation?

Mr. CARNES. Yes, sir.

Mr. FORT. The Government, of course, would supply the necessary finances.

Mr. CARNES. Yes, sir.

Mr. MENGES. Mr. Carnes, you said awhile ago, if I understood you correctly, that you have a tariff of 2 cents a pound on rice?

Mr. CARNES. Yes, sir.

Mr. MENGES. Do you get the benefit of that tariff?

Mr. CARNES. No, sir. We do get the benefit of it in that we do not have a bear in our yard fighting with us, but when we go over there we have to fight him just the same. So it would mean this: The foreign rice can not come into this country and be sold in competition with our rice for less than about 6¼ cents a pound for clean rice, while we are to-day selling clean rice in America and in the other countries for 4¼ cents. We are not getting the benefit of the tariff here, except that it keeps a man from coming in here and fighting us in our own yard.

Mr. MENGES. Would you get a lower price without the tariff?

Mr. CARNES. I think without it we would get a lower price, and we are very much appreciative of the tariff we have, although we did not get as much as we would like to have had.

Mr. HOUSTON. What is the spread between the miller and the producer and the jobber? How much does the producer get for his bag of rice? How much does he sell it to the jobber for?

Mr. CARNES. When you have good years he will sell his rice for 5 or 6 cents. There may be a spread of 50, 60, or 75 cents between the price paid the farmer and the miller.

Mr. HOUSTON. Can you be specific? How much does the producer get for his bag of rice?

Mr. CARNES. The producer will get for enough rough rice to make 100 pounds of clean rice about $3.50.

Mr. HOUSTON. How much does the miller sell it for?

Mr. CARNES. He sells it for $3.90, $4, or $4.10, or something like that. Our millers are like a lot of other crazy people; they got tied up so strongly with the others that they are about broke themselves.

Gentlemen of the committee, I thank you very much.

(Thereupon, at 5 o'clock p. m., the committee adjourned to meet to-morrow, Wednesday, April 3, 1929, at 10 o'clock a. m.)